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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the “**Board**”) of China Railway Signal & Communication Corporation Limited* (中國鐵路通信信號股份有限公司) (the “**Company**”) hereby announces the audited annual results of the Company and its subsidiaries for the year ended 31 December 2016. This announcement is in compliance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany the preliminary announcement of annual results.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND
ANNUAL REPORT

This annual results announcement will be published on the HKExnews website of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at www.hkexnews.hk and the website of the Company at www.crsc.cn.

The 2016 annual report will be dispatched to the Company’s H shareholders in due course and will be published on the aforesaid website of the HKEXnews website of The Stock Exchange as well as the website of the Company.

DIVIDEND DISTRIBUTION

The Board has proposed to distribute 2016 final dividend to the domestic shareholders and H shareholders (the “**Shareholders**”) whose names appear on the register of members of the Company on the record date to be specified in the notice of 2016 annual general meeting to be published by the Company in due course a cash dividend of RMB0.10 (tax inclusive) per share. The 2016 final dividend to be distributed will be denominated and announced in RMB, of which domestic shareholders will be paid in RMB and H shareholders will be paid in HK dollars. The exchange rate of HK dollars will be calculated in accordance with the average central parity rate published by the People’s Bank of China of the three working days before the day the dividend distribution announcement is made (inclusive of the day of the dividend distribution announcement). Such final dividend is expected to be distributed on 17 July 2017. The above profit distribution plan is subject to approval at the 2016 annual general meeting of the Company.

By order of the Board
China Railway Signal & Communication Corporation Limited*
ZHOU Zhiliang
Chairman

Beijing, the People’s Republic of China, 27 March 2017

As of the date of this announcement, the executive directors of the Company are Mr. ZHOU Zhiliang, Mr. FU Jianguo and Mr. YIN Gang, and the independent non-executive directors of the Company are Mr. WANG Jiajie, Mr. SUN Patrick, Mr. CHEN Jin’en and Mr. GAO Shutang.

** For identification only.*

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CHAIRMAN'S STATEMENT

Dear Shareholders,

First of all, I would like to express my sincere gratitude on behalf of the Board of CRSC towards all shareholders and the society for their continuous care and support to the Company.

2016 is the opening year of the 13th Five-Year Plan. During the past year, we actively responded to difficulties and challenges. We persisted in the development strategy of “one core business with diversification into related businesses”, accelerated promotion of structural adjustment together with transformation and upgrade, and continued to strengthen management while enhancing quality and efficiency, hence more effectively completing all tasks for the year and achieving a stable and good pace for starting the 13th Five-Year Plan.

Our operating results reached record high. During the year, we achieved the total value of newly signed contracts of RMB49.48 billion, a year-on-year increase of 30.8%; operating revenue of RMB29.4 billion, a year-on-year increase of 22.8%; net profit attributable to shareholders of the Company of RMB3.05 billion, a year-on-year increase of 22.1%; total assets of RMB50.3 billion, a year-on-year increase of 19.8%, with major economic indicators hitting record high. In 2016, the Company was awarded for the first time the “double A” performance appraisal for the year 2015 and the term of 2013-2015 by the SASAC. Outstanding results also enabled the Company to be recognized and favored by the capital market. We have successively won the “Golden Bauhinia” award, the “Best Technology Innovation Listed Companies” award, and the “Best Listed Company” award organized by the financial magazine Chinese Financial Market in Hong Kong.

Our marketing efforts paid off again. We actively promoted regional operation strategy by setting up several regional operation centers at home and abroad to keep closer to customers, with initial realization of full coverage of marketing networks. We have maintained our market leading position by winning the tenders for key high-speed railway projects such as the Beijing-Shenyang, Wuhan-Jiujiang, Hangzhou-Huangshan and Huaibei-Xiao County high-speed railways. By winning the tenders for metro signal system projects in several cities such as Xi'an, Shenyang, Wuhan and Xiamen, we once again secured our operation in Xi'an Metro Airport Line on the basis of successful application of the Metro CBTC System with proprietary intellectual property rights in Beijing Metro Line 8 and Chongqing Metro Line 5. For emerging business, we entered into the first order for Smart City in Tongren City, Guizhou Province, while closely tracing a number of Smart City projects. Our high sensitivity operation and maintenance system for signals and communications has successfully been promoted for application in the Wuhan - Guangzhou line. For overseas markets, we have successfully signed large sum orders for railway and metro projects in Pakistan and India, further enhancing our capability of undertaking overseas projects.

The core scientific and technological strength of the Company continued to improve. We have added two innovative platforms at national level and one innovative platform at provincial and ministerial level. We have committed 6 national standards and 100 railway industry standards, and obtained 19 science and technology awards at provincial and municipal level or above. We have actively participated in key national scientific research projects such as the state run “Key technologies for 400 km and above high-speed passenger equipment – research and development of transnational interconnected high-speed EMU equipment and the operation and maintenance system (時速400公里及以上高速客運裝備關鍵技術—跨國互聯互通高速動車組裝備與運維系統研製)”. For emerging business, we

CHAIRMAN'S STATEMENT

have carried out the research and development of several system products such as the broadband transmission technology for the train floor of high-speed train, and completed the design and development of low floor trams. For overseas business, our independently developed Radio Block Center (RBC) equipment has obtained EU TSI certification, and has become the first domestic mainstream railway signal product which has passed EU TSI certification, laying a solid technical foundation for further exploring the international markets.

The quality and safety of the Company continued to improve. During the past year, we continued to strengthen quality and safety management, achieved elimination of traffic accidents of general Class B and above and no occurrence of railway traffic accidents of general Class C, effectively protected the operation safety of rail equipment. We have formulated the quality and safety development plan for the 13th Five-Year Plan, further implemented the responsibility system for safe production, signed letters of responsibility, safety production agreements and quality assurance agreements at each level to strengthen the whole process of quality and safety management, further enhanced emergency response capability, and strengthened the control of quality and safety of key products, effectively ensuring the safety and reliability of system equipment.

Looking ahead, China has announced the “Mid- and Long-term Railway Network Plan” which will be forged into a high-speed railway network construction plan with “eight vertical” channels and land bridges in coastal cities as well as Beijing and Shanghai, and “eight horizontal” channels along the rivers as backbones supplemented by intercity railways. By 2020, the operating mileage of high-speed railway backbone will exceed 30,000 km, and the construction of city cluster intercity railway network linking Beijing-Tianjin-Hebei, Yangtze River Delta, Pearl River Delta, Yangtze River middle stream, the Central Plains, Chengdu-Chongqing and the Shandong Peninsula will basically be completed. The routes upon completion and putting into operation will exceed 3,000 km. With booming development of urban rail transportation, currently the metro construction plans for more than 40 cities have been approved, with total mileage of over 8,000 km. Modern trams, due to energy saving and low production cost, are favored by second and third tier cities. More than 40 cities have taken practical actions with planned mileage of 3,900 km. In the overseas market, as the “one belt, one way” construction is at a relatively favorable timing, the vast capacity of overseas market and the favorable state strategy will bring us with new opportunities to enter overseas rail transportation markets. Furthermore, the smart transportation industry, primarily centering around the concept of smart cities and “technology + traffic”, is expected to attract huge amounts of capitals in the future, and the application of informatization systems such as smart buildings, community informatization and smart healthcare will become more and more extensive, bringing with us more market opportunities.

We firmly believe that we are not afraid of long journey so long as we have chosen the right path. We will always adhere to our mission and bravely move forward despite challenges. We will continue to leverage our core strengths and keep enhancing technological innovation capability, actively explore domestic and foreign markets, and always adhere to safe development, serving the society and returning to shareholders and employees with sustained sound operating performance.

Chairman

ZHOU Zhiliang

March 27, 2017

CORPORATE INFORMATION

The basic corporate information as of the date of this announcement are set out as below:

LEGAL NAME OF THE COMPANY

中國鐵路通信信號股份有限公司

OFFICIAL ENGLISH NAME OF THE COMPANY

China Railway Signal & Communication Corporation Limited*

DIRECTORS

Executive Directors

Mr. ZHOU Zhiliang (*Chairman*)
Mr. FU Jianguo (*Vice Chairman*)
Mr. YIN Gang (*President*)

Independent Non-executive Directors

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

SUPERVISORS

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

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

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

BOARD COMMITTEES

Strategy and Investment Committee

Mr. ZHOU Zhiliang (*Chairman*)
Mr. FU Jianguo
Mr. WANG Jiajie
Mr. CHEN Jin'en
Mr. GAO Shutang

Remuneration and Evaluation Committee

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

Audit and Risk Management Committee

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

Nomination Committee

Mr. CHEN Jin'en (*Chairman*)
Mr. FU Jianguo
Mr. WANG Jiajie

Quality and Safety Committee

Mr. YIN Gang (*Chairman*)
Mr. FU Jianguo
Mr. GAO Shutang

REGISTERED OFFICE

B 49 Xisihuan South Road
Fengtai District
Beijing, PRC

* For identification only



CORPORATE INFORMATION

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

STOCK ABBREVIATION AND STOCK CODE

CHINA CRSC (03969)

H SHARE REGISTRAR

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

COMPANY WEBSITE

www.crsc.cn

INVESTOR RELATIONS

Tel: +86-10-50809076
Fax: +86-10-51846610
Email: ir@crsc.cn
Address: CRSC Building, 1 Compound,
Automobile Museum, Nansihuan West Road,
Fengtai District, Beijing, PRC
Postal Code: 100070

COMPLIANCE ADVISOR

Haitong International Capital Limited
22th Floor, Li Po Chun Chambers
189 Des Voeux Road Central,
Hong Kong

LEGAL ADVISERS

Hong Kong Legal Adviser

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

PRC Legal Adviser

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

AUDITORS

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

FINANCIAL HIGHLIGHTS

Key financial information of the Group for the year is set out as follows:

Unit: RMB'000 (except for percentages)

	2016	2015	Increase/ (Decrease) (%)
Revenue	29,402,146	23,951,553	22.8
Profit attributable to equity owner of the Company	3,049,341	2,496,403	22.1
Net cash flow from operating activities	2,935,056	2,763,329	6.2
Basic earnings per share (RMB/share)	0.35	0.32	9.4
Diluted earnings per share (RMB/share)	0.35	0.32	9.4
Weighted average rate of return on net assets (%)	15.0	16.3	Decrease of 1.3 percentage points
	31 December 2016	31 December 2015	Increase/ (Decrease) (%)
Total assets	50,295,007	41,992,159	19.8
Total liabilities	27,604,536	22,256,977	24.0
Total equity attributable to equity owner of the Company	21,656,637	18,843,289	14.9

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In 2016, under the backdrop of a complicated and uncertain economy, the Group responsively adapted to, captured and led the “new normal” economic growth phase by adhering to proactively adjusting the structure of business and product. It also accelerated the technological innovation and actively expanded the domestic and international markets while strengthening its internal operation and management and cost efficiency, thereby achieving a remarkable result in the corporate development quality and efficiency.

During the reporting period, the Group continued to maintain the growth momentum of its operating results, and recorded a revenue of RMB29,402.1 million in 2016, an increase of RMB5,450.5 million or by 22.8% as compared to that in 2015. Profit before tax was RMB3,816.1 million, an increase of RMB671.9 million or by 21.4% as compared to that in 2015; profit attributable to equity shareholders of the Company was RMB3,049.3 million, an increase of RMB552.9 million or by 22.1% as compared to that in 2015. During the reporting period, there were no material changes to the composition or sources of the profit of the Group.

FINANCIAL REVIEW

I. Analysis on Principal Business

Analysis of changes in the relevant items of the income statement

Unit: RMB million (except for percentages)

	2016	2015	Increase/ (Decrease) (%)
Revenue	29,402.1	23,951.6	22.8
Cost of sales	(21,973.8)	(17,936.9)	22.5
Other income and gains	411.1	706.8	(41.8)
Selling and distribution expenses	(684.3)	(646.6)	5.8
Administrative expenses	(3,177.7)	(2,826.6)	12.4
Finance costs	(30.0)	(51.8)	(42.1)
Profit before tax	3,816.1	3,144.2	21.4
Income tax expense	(624.6)	(520.7)	20.0
Profit for the year	3,191.5	2,623.5	21.7

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Revenue of the Group increased by 22.8% to RMB 29,402.1 million in 2016 as compared to that in 2015, with design and integration, equipment manufacturing, system implementation, construction contracting and other businesses accounting for 26.9%, 24.3%, 28.4%, 19.6% and 0.8% of the total revenue, respectively. The increases of the revenue of our main segments were primarily due to: (i) the revenue of the Group correspondingly increased as the Chinese government increased in investment in urban transit; (ii) the Group enhanced the adjustment in the structure of business, extended and complemented industry chain and further expanded business scale under the strategic guideline of focusing on one major business area and diversifying into related businesses.

Analysis of orders

During the reporting period, new orders entered into by the Group amounted to RMB49,480.4 million, representing an increase of 30.8% as compared to last year. Among which, RMB15,775.4 million in railway-related sector orders (a year-on-year increase of 8.1%); RMB7,764.1 million in metro-related sector orders (a year-on-year increase of 14.7%); RMB2,768.0 million in overseas orders (a year-on-year increase of 143.9%). As of the end of the reporting period, the value of contracts under performance amounted to RMB53,081.8 million.

Cost of sales

During the reporting period, the cost of sales of the Group amounted to RMB21,973.8 million, an increase of 22.5% as compared to that in 2015, mainly due to increase in the business volume and increase in cost of sales. The gross profit of the Group was RMB7,428.3 million, an increase of 23.5% as compared to that in 2015, mainly due to the Group actively improved quality and enhanced efficiency, strengthened lean management and improved cost control with great efforts, resulting in a further rise in the gross profit margin.

Other income and gains

During the reporting period, the Group had other income and gains of RMB411.1 million, a decrease of 41.8% as compared to that in 2015, mainly attributable to a significant decrease in revenue as the gains derived from exchange settlement of proceeds from our listing in 2015, while no such gain derived from exchange settlement was recorded in 2016.

Selling and distribution expenses, administrative expenses and finance costs

During the reporting period, the three expense items amounted to RMB3,892.0 million, representing an increase of 10.4% or RMB367.0 million as compared to RMB3,525.0 million in 2015. The three expense items accounted for 13.2% of the revenue, representing a decrease of 1.5 percentage points as compared to 14.7% in 2015, among which: (i) the selling and distribution expense of RMB684.3 million increased by 5.8%, primarily due to an increase in selling and distribution expense arising from business development; (ii) the administrative expense of RMB3,177.7 million increased by 12.4%, primarily due to the increased R&D investment and safety production expenses; (iii) the finance costs of RMB30.0 million decreased by 42.1%, primarily due to an decrease in interest expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit before tax

For the foregoing reasons, during the reporting period, the Group's profit before tax was RMB3,816.1 million, an increase of 21.4% as compared to that in last year.

Income tax expense

During the reporting period, the Group paid income tax expense of RMB624.6 million, an increase of 20.0% compared to last year. The effective tax rate of the Group was 16.4%, a decrease of 0.2 percentage point, primarily due to the corresponding increase in the permitted additional amount of deduction of R&D cost as a result of the continued increase in R&D investment of the Group, resulting in a corresponding decrease in the effective tax rate for income tax.

Net profit for the year

For the foregoing reasons, during the reporting period, the Group had net profit of RMB3,191.5 million for the year, an increase of 21.7% as compared to that in last year.

II. Segment Results

The table below sets forth the revenue and results on segments of the Group during the reporting period.

Unit: RMB million (except for percentages)

Segment results	Revenue	Cost of sales	Gross profit margin (%)	Increase/ (Decrease)	Increase/ (Decrease)	Increase/ (Decrease)
				in revenue compared to last year (%)	in cost of sales compared to last year (%)	in gross profit margin compared to last year Percentage point
Rail transportation control system						
Design and integration	7,896.0	4,840.1	38.7	35.9	32.5	1.6
Equipment manufacturing	7,142.8	4,468.5	37.4	3.5	0.6	1.8
System implementation	8,359.4	7,395.3	11.5	12.4	11.1	1.0
Construction contracting	5,770.4	5,083.2	11.9	67.7	76.7	(4.5)
Other businesses	233.5	186.7	20.0	(35.4)	(39.9)	6.0
Total	<u>29,402.1</u>	<u>21,973.8</u>	<u>25.3</u>	<u>22.8</u>	<u>22.5</u>	<u>0.2</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Design and integration: revenue from the design and integration business is mainly derived from the provision of engineering design and system integration services for rail transportation control system projects, and integrated solutions designed to achieve the functionality and performance of the control systems. During the reporting period, revenue from the design and integration business was RMB7,896.0 million, a year-on-year increase of 35.9%. Gross profit margin was 38.7%, a year-on-year increase of 1.6 percentage points, primarily due to: (i) increase in business volume in design and integration segment due to the government's continuous increasing investment in the urban transit construction in China; (ii) the Group fully leveraged the advantage of "three-in-one" and enhanced in operation to further expand the market share in design and integration undertaking projects; (iii) the Group actively implemented lean management and cost control to further improve its profitability.

Equipment manufacturing: revenue from the equipment manufacturing business is mainly derived from the manufacturing and sale of signal system products, communication information system products and other products. During the reporting period, revenue from the equipment manufacturing business was RMB7,142.8 million, a year-on-year increase of 3.5%. Gross profit margin was 37.4%, a year-on-year increase of 1.8 percentage points, primarily due to: (i) increase in business volume in equipment manufacturing segment due to the government's continuous increasing investment in the urban transit construction in China; (ii) the Group strived to implement central procurement of equipment and material, lower the material purchasing cost to ensure the stable growth in both revenue and efficiency by proactively implementing cost benchmarking, enhancing cost management and control as well as actively optimizing and improving the sales structure.

System implementation: revenue from the system implementation business is mainly derived from the provision of construction, installation, testing and maintenance services for rail transportation control system projects. During the reporting period, revenue from the system implementation business was RMB8,359.4 million, a year-on-year increase of 12.4%. Gross profit margin was 11.5%, a year-on-year increase of 1.0 percentage point, primarily due to: (i) increase in business volume in system implementation segment due to the government's continuous increasing investment in the urban transit construction in China; (ii) we strictly implemented responsibility cost during the course of service rendering, enhanced cost management and control of projects and performed all-staff, whole-process and comprehensive cost management and control, resulting sound trend of corporate economic efficiency.

Construction contracting: revenue from construction contracting business is mainly derived from the provision of municipal engineering and related construction services. During the reporting period, revenue from construction contracting business was RMB5,770.4 million, a year-on-year increase of 67.7%, primarily due to the development strategy of the Group by "one core business with diversification into related businesses", the Group further enhanced the cooperation with local government and actively participated in the construction of municipal engineering projects such as the Smart City and road network projects related to rail transportation led by local government while consistently cultivating the traditional communication and signal business, resulting in a rapid growth in revenue and profit of the construction contracting segment.

Other businesses: revenue from other businesses is mainly derived from raw material trading and logistics. During the reporting period, revenue from other businesses was RMB233.5 million, a year-on-year decrease of 35.4%. Gross profit margin was 20.0%, a year-on-year increase of 6.0 percentage points, primarily due to: (i) a decrease in revenue from other businesses as the Group deducted the scale of trading business; (ii) the higher gross profit margin of certain projects during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the revenue of the various business lines of the Group during the reporting period.

Unit: RMB million (except for percentages)

	2016		2015		Increase/ (Decrease) (%)
	Revenue	Percentage (%)	Revenue	Percentage (%)	
Domestic market	28,686.6	97.6	23,434.4	97.8	22.4
Railway	16,762.3	57.1	15,702.9	65.6	6.7
Urban transit	5,920.4	20.1	3,929.8	16.4	50.7
Construction contracting	5,770.4	19.6	3,440.2	14.3	67.7
Other business	233.5	0.8	361.5	1.5	(35.4)
Sub-total	28,686.6	97.6	23,434.4	97.8	22.4
Overseas market	715.5	2.4	517.2	2.2	38.3
Total	29,402.1	100.0	23,951.6	100.0	22.8

During the reporting period, the Group's operating revenue from domestic market was RMB28,686.6 million, representing a year-on-year increase of 22.4%, primarily due to: (i) increasing number of orders and business volume in the domestic market due to persistent increase in investments for the construction of urban transit transportation by the PRC government; and (ii) the Group's adherence to the development strategy of "one core business with diversification into related businesses" by expanding into emerging businesses such as the development of smart cities, sponge cities and urban comprehensive pipe galleries, driving up the revenue of the construction contracting segment significantly.

During the reporting period, the Group's operating revenue from overseas market was RMB715.5 million, representing a year-on-year increase of 38.3%, primarily due to the Group's active participation in the "One Belt, One Road" and "Go Global" strategies implemented by the PRC government, which resulted in a higher number of overseas projects undertaken and, in turn, an increase in the number of orders and business volume.

III. Analysis of Statement of Cash Flows

Analysis of changes in the relevant items of the statement of cash flows

Unit: RMB million

	2016	2015
Net cash flow generated from operating activities	2,935.1	2,763.3
Net cash flow generated from/(used in) investing activities	422.1	(3,018.3)
Net cash flow (used in)/generated from financing activities	(640.8)	5,699.4

MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Group had net cash inflow of RMB2,935.1 million generated from operating activities, representing a year-on-year increase of RMB171.8 million, as compared to the net cash inflow of RMB2,763.3 million generated from operating activities during last year, primarily due to: (i) an increase in profit before tax resulting from continuous and rapid growth in economic efficiency of the Group; and (ii) an increase in the Group's business sales volume as well as the continuous efforts to step up the settlement of trade receivables and free up the capital locked up by inventories, thereby increasing cash inflows from operations.

During the reporting period, the Group had net cash inflow of RMB422.1 million from investing activities, as compared to a net cash outflow of RMB3,018.3 million used in investing activities last year, primarily due to the maturity and recovery of some time deposits with maturity of more than three months in 2016.

During the reporting period, the Group had net cash outflow of RMB640.8 million used in financing activities, as compared to a net cash inflow of RMB5,699.4 million from financing activities during last year, which represented primarily the proceeds received from initial public offering in 2015.

IV. Financial Ratios

	31 December 2016	31 December 2015
Current ratio ⁽¹⁾	157.6%	160.3%
Quick ratio ⁽²⁾	145.3%	147.6%
Gearing ratio ⁽³⁾	5.1%	2.4%
Return on total assets ⁽⁴⁾	6.9%	7.4%
Return on equity ⁽⁵⁾	15.0%	16.3%

Notes

- (1) Current ratio is calculated by dividing total current assets by total current liabilities as at the relevant date and multiplying by 100%.
- (2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the relevant date and multiplying by 100%.
- (3) Gearing ratio is calculated by dividing total debt by total equity as at the relevant date and multiplying by 100%. Total debt means the sum of long-term and short-term interest-bearing debts.
- (4) Return on total assets is calculated by dividing profit for the year by average balance of total assets at the beginning and at the end of the year and multiplying by 100%.
- (5) Return on equity is calculated by dividing profit for the year by average balance of the total equity at the beginning and at the end of the year and multiplying by 100%.

MANAGEMENT DISCUSSION AND ANALYSIS

V. Current Liabilities

Unit: RMB million (except for percentages)

	31 December 2016		31 December 2015		Increase/ (Decrease) (%)
	Amount at the end of the year		Amount at the end of the year		
	Amount	Proportion to total liabilities (%)	Amount	Proportion to total liabilities (%)	
Total current liabilities	26,398.6	95.6	21,193.1	95.2	24.6
Including: interest-bearing					
bank and other borrowings	931.2	3.4	429.4	1.9	116.9
Trade and bills payables	15,645.2	56.7	10,954.2	49.2	42.8
Other payables and accruals	5,647.5	20.5	5,501.0	24.7	2.7
Amount due to contract customers	3,812.9	13.8	3,998.9	18.0	(4.7)
Total non-current liabilities	1,205.9	4.4	1,063.8	4.8	13.4
Including: interest-bearing					
bank and other borrowings	220.5	0.8	38.0	0.2	480.3
Total liabilities	27,604.5	100.0	22,256.9	100.0	24.0

As at the end of the reporting period, short-term interest-bearing bank and other borrowings in the Group's current liabilities increased by 116.9% as compared to last year, mainly attributable to the increased bank borrowings due to capital needs for normal business operations.

As at the end of the reporting period, trade and bills payables in the Group's current liabilities increased by 42.8% as compared to last year, primarily due to business development and the increased number of projects.

As at the end of the reporting period, other payables and accruals in the Group's current liabilities increased by 2.7% as compared to last year, primarily due to the increase in project payables, resulting from construction in progress.

As at the end of the reporting period, amount due to contract customers in the Group's current liabilities decreased by 4.7% as compared to last year, primarily due to enhanced efforts of the Group in project implementation to reduce the number of settled but uncompleted projects.

As at the end of the reporting period, long-term interest-bearing bank borrowings and other borrowings in the Group's non-current liabilities increased by 480.3% as compared to last year, primarily due to the increase in long-term borrowings of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings

As at the end of the reporting period, the Group had total interest-bearing bank and other borrowings of approximately RMB1,151.7 million, representing an increase of 146.4% from RMB467.4 million of last year, primarily due to the increased demand for borrowings to support normal production operations.

As at the end of the reporting period, the Group's total interest-bearing bank and other borrowings were denominated in RMB. As at the end of the reporting period, the long-term interest-bearing borrowings and short-term interest-bearing borrowings of the Group amounted to RMB220.5 million and RMB931.2 million, respectively. The table below sets forth the maturity profile of interest-bearing bank and other borrowings repayable by the Group as at 31 December 2016 and 31 December 2015:

Unit: RMB million

	31 December 2016	31 December 2015
Bank loans		
Within one year	931.1	429.3
In the second year	200.0	17.4
	1,131.1	446.7
Other borrowings		
Within one year	0.1	0.1
In the second to fifth years, inclusive	20.5	20.6
	20.6	20.7
Total	1,151.7	467.4

As at the end of the reporting period, the Group's total bank and other borrowings at floating interest rates amounted to RMB945.0 million, as compared to RMB467.4 million as at 31 December 2015.

As at the end of the reporting period, the total capitalized interest was nil.

As at the end of the reporting period, interest-bearing bank and other borrowings of the Group included secured and guaranteed borrowings of RMB201.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledged assets

As at the end of the reporting period, certain assets of the Group with a total carrying value of RMB383.5 million (last year: RMB201.0 million) were secured/pledged for issue of certain bill payables, letter of credit, performance guarantees and obtaining short term borrowings. Such assets included bills receivable of RMB211.9 million (last year: RMB2.5 million) and bank deposits of RMB171.6 million (last year: RMB198.5 million).

Liquidity

As at the end of the reporting period, the Group had credit facilities of approximately RMB55,350.0 million granted by commercial banks to the Group, of which approximately RMB46,508.4 million was unused and unrestricted. As at 31 December 2016, the Group had cash and cash equivalents of approximately RMB15,520.5 million, of which RMB14,425.3 million was denominated in Renminbi, RMB100.4 million was denominated in US dollars, RMB14.2 million was denominated in Euros and RMB980.6 million was denominated in Hong Kong dollars.

VI. Capital Expenditures and Capital Commitments

During the reporting period, capital expenditures on cash basis of the Group amounted to RMB926.3 million, including property, plant and equipment of RMB819.6 million, prepaid land lease payments of RMB88.5 million and other intangible assets of RMB18.2 million.

As at the end of the reporting period, the Group had capital commitments of RMB2,183.4 million contracted for but not yet incurred, which would be mainly used for capital allocation to the PPP project company and technological revamp for improving the technology and equipment capabilities of the railway transportation safety control system and investment in the construction of the CRSC Railway Transportation Research Center, etc. The table below sets forth the commitments of the Group as at 31 December 2016 and 31 December 2015:

	Unit: RMB million	
	2016	2015
Contracted but not provided for:		
Property, plant and equipment	1,219.8	15.4
Land use rights	—	110.9
Capital contributions payable to a joint venture and associates	963.6	—
	<u>2,183.4</u>	<u>126.3</u>

MANAGEMENT DISCUSSION AND ANALYSIS

VII. Contingent Liabilities

As at the end of the reporting period, the Group had no material contingent liabilities.

VIII. Employees and Remuneration Policies

As of the end of the reporting period, the Group had 17,748 full-time employees and its total staff costs for the year reached RMB3,478.6 million. The employee recruitment and retention policy reflects numerous factors including the market environment, business needs and expansion plans. The Group plans to recruit, nurture and retain professional talents by a series of procedures during the recruitment and training phases, together with attractive performance-based remuneration packages and development opportunities. The Group performs regular employee performance evaluation with the remuneration and bonus linked with performance. In addition, the Group implements training schemes according to different work requirements and believes that these measures will help enhance employees' productivity.

IX. Business Outlook for 2017

Competition landscape and development trend of the industry

Competition landscape: with the continuous construction of railways for high-speed trains within the country and the overall economy entering into the new normal state, the economy is faced with aggravated downturn pressure, and the railway transportation markets, the communication and signal market in particular, gradually become more topical with various new competitors entering and resulting in intensified price competition. However, the advantaged position of the Group will remain unchanged in the foreseeable future.

As of the reporting period, for the Chinese high-speed train integration market featuring communications, signal, power and electrification, CRSC boasted a mileage coverage ratio of winning bids of almost 60% for routes with a speed of 200 to 250 km/h, ranking the first with major competitors including China Railway Construction, China Railway and their subsidiaries; and CRSC achieved a mileage coverage ratio of winning bids of over 70% for routes with a speed of 300 to 350 km/h, ranking the first with major competitors including China Railway Construction and its subsidiaries. For the core product market of China's high-speed railway control system, CRSC has been participating in the provision of core products for high-speed railway core equipment including train control center, central dispatching system, radio block center, computer interlocking, track circuit and vehicle-mounted automatic protection system with a leading position by market shares in these areas.

As of the reporting period, for the urban rail transportation control system market, the Group's core railway transportation control system products and services covered 20 provinces or autonomous regions in China and the four municipalities, Beijing, Shanghai, Tianjin and Chongqing; its market share in the urban rail transportation signal system market by contract volume was almost 50%, enjoying a solid lead over competitors. With the CBTC systems independently developed by the subsidiary design institute of CRSC and by CASCO, the Group will continue to enjoy an absolute advantage in terms of market share in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

Development trend: for national railway, at the press conference for release of the White Paper “Development for China’s Transport (中國交通運輸發展)”, the State Railway Bureau stated that during the 13th Five-Year Plan period, we will see further acceleration of railway construction and development with a planned investment of RMB3,500 billion. It is expected that the size of China’s railway market in 2017 will basically be unchanged as in 2016, with an investment size of around RMB800 billion. For intercity railway, the White Paper “Development for China’s Transport (《中國交通運輸發展》)” points out that by 2020 China will basically complete construction of the city cluster intercity railway network covering Beijing-Tianjin-Hebei, Yangtze River Delta, Pearl River Delta, the Yangtze River middle stream, the Central Plains, Chengdu-Chongqing and the Shandong Peninsula. The routes completed construction and put into operation will exceed 3,000 km with an investment size reaching RMB1.7-2.0 trillion. Among them, the “Beijing-Tianjin-Hebei Inter-city Railway Network Plan (京津冀地區城際鐵路網規劃)” involves nine projects with a total mileage of about 1,100 km. By 2020 an intercity railway network with the skeleton of “four vertical, four horizontal and one ring” will be formed in the region; the Central Plain region with Hefei as the center has more than ten railway projects under construction, with new routes mileage of over 1,000 km and a total investment of about RMB200 billion. In the future, the intercity railway will become an important part of rail transit construction. For international market, at the working conference of China Railway Corporation in 2017, it is also proposed that China Railway Corporation will further play the leading role at the enterprise level to strengthen the quality and safety and capital management of overseas projects under organization and implementation, further promote the construction and coordination of projects such as the Jakarta-Bandung high-speed railway in Indonesia, the China-Thailand Railway and the Moscow-Kazan high-speed railway in Russia. vast overseas market capacity and favorable national strategic promotion will provide new opportunities for us to enter overseas rail transportation markets. For urban rail transit, subway construction will continue to maintain high-speed growth during the 13th Five-Year Plan period during which China will “accelerate the forming of urban rail transit networks in cities with more than 3 million population; the mileage under operation of newly added urban rail transits will be approximately 3,000 km; as of September 2016 the NDRC has approved plans for construction of about 8,600 km subways in 43 cities including Xuzhou, Nantong, Wuhu, Shaoxing and Luoyang, which are three-tier cities in traditional sense, with annual investment exceeding RMB300 billion. Apart from subways, promotion for new urban rail transits such as trams, light rails, medium and low speed magnetic levitations and air rails are also gradually strengthened in all places. For Smart City, with accelerating development of China’s urbanization, the municipal engineering industry has recorded relatively fast development. It is expected that during the 13th Five-Year Plan period China’s municipal construction industry will maintain an average annual growth rate of about 10%. As the policy payouts of smart cities release, smart cities in China will usher in a new round of rapid development opportunities.

Development strategies of the Group

The Group will adhere to the quality and safety first principle, and shoulder the mission of leading the national railway communication and signal industry in the “going global process”. The Group will expedite technological innovation, accelerate transformation and upgrading, take advantage of industry chain integration, and put an emphasis on making strategic breakthroughs in the structural adjustments to industry products, historical

MANAGEMENT DISCUSSION AND ANALYSIS

breakthroughs in core technologies, and international breakthroughs in high-speed train standards and industry export of China. We will continuously enhance our management standards as a modern enterprise and actively integrate into the global competitive landscape, building up a cross-national industry group of international standards featuring rail transportation control technology.

Operational plans

Based on the “seven business sectors” confirmed by the medium and long term strategy, the Company accelerated technological innovation, transformation and upgrading, leveraging the advantages of industry chain integration and by way of investment and acquisition and merger as well as resources consolidation to strengthen the foundations of traditional businesses while developing emerging businesses. To achieve the operations targets, the Group will further strengthen its two-tier operation system and enhance its sales and marketing layout; create innovative business and commercial models to explore emerging markets and businesses; step up sales and marketing efforts to increase market share; and strengthen overseas market development to accelerate the progress of internationalization.

Potential risks and risk management

The risks faced by the Group include risks arising from changes in macroeconomy and policies and risks associated with the Group’s business. In response to these risks, the Group will endeavor to build a scientific and well-established risk management system and closely monitor, manage and prevent macro-level risks from aspects such as risk assessment, financial control, internal audit and legal risk control.

Macro-economic and policy risks

At the macro environment level, the Group’s future development is subject to a lot of uncertainties. Against a backdrop where the global economy faces a slow recovery and China’s economy enters the new normal stage, factors such as foreign exchange control system, tax policies and infrastructure industry policies of China may be subject to adjustments with the changes in economic environment. All these may directly affect the infrastructure industry where the Group operates one of its main businesses and its implementation of overseas mergers and acquisitions.

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.

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. Yet as most of the Group’s business operations are 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 to reduce the Group’s exposure to foreign currency risk in this regard.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Risks

Unstable macro environment in the economy, policies and other aspects of the target countries; the risk of unable to pass the merger and acquisition review conducted by the country in which the subject for acquisition is located; the difficulty in consolidating resources and integrating corporate culture after the acquisition. Furthermore, the intellectual property risks of the Group are inseparable from the Company's production and operation activities, affecting the whole process of the Company's operation, mainly manifested in the risks of intellectual property being infringed in areas such as corporate names, patented technologies, propriety technologies, registered trademarks, commercial secrets and product packages and decorations. Meanwhile, the Company also faces the risk of infringing the intellectual property of others and being involved in intellectual property disputes and inappropriate competitive acts.

The overseas markets of the Group keep on expanding, yet the operational experience on overseas legal matters is limited. The export business of the Group is therefore facing legal risks concerning the intellectual property and applicable laws.

Credit Risks

The change in the financing environment may pose a risk of failing to meet the cash demand for production operations and investment activities; the change in the product market may pose a risk of failing to satisfy capital demand for production operations due to imbalanced production volume and higher capital demand during the peak production season of the Group; under the impact of the economic environment, the operations of certain customers may suffer considerably due to the volatile market, making it more difficult for the Company to collect its accounts receivables.

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

Liquidity Risks

Domestic market competition is becoming more intensive, and the strict control of the scale of local debt regarding the development of urban transit by local authorities has resulted in a tendency to adopt a public-private partnership model for rail transportation projects such as metro projects, resulting in longer investment duration, higher occupied capital and increased investment risks, which may cause the risk of failure to meet the funds necessary for production and operation.

The liquidity risk 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Core competitiveness

1. *Strong technological innovation and system integration capabilities*

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

2. *A whole industry chain comprehensive advantage*

CRSC has set up a relatively complete and professional industry chain, and is capable of providing one-stop services including capital operation, research and design, construction contracting, system integration, products manufacturing, technological services, as well as operational maintenance.

3. *Leading technical professionals within the industry*

During the long period of project practice, CRSC has built up a hard-working team that always rises up to challenges and lives up to its expectations. Our communication and signal technical professionals, in particular, demonstrate outstanding capabilities and have major influence in the industry.

4. *Excellent customer relationship*

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

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

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

REPORT OF THE DIRECTORS

The Board hereby presents this preliminary report of the Directors, preliminary results announcement as well as the Group's audited consolidated financial statements for 2016 prepared in accordance with the International Financial Reporting Standards ("IFRS"). The full report of the Directors will set out in the annual report despatched to the H Shareholders by the Company in due course.

CORPORATE INFORMATION AND INITIAL PUBLIC OFFERING

The Company was incorporated as a joint stock Company in the PRC with limited liability on 29 December 2010. The H shares of the Company have been listed on the Main Board of the Hong Kong Stock Exchange since 7 August 2015.

Basic information about the Company is set out in "Corporate Information" on pages 4 to 5.

BUSINESS REVIEW

The Company is a rail transportation control system solution provider offering specialized one-stop solutions that cover design and integration, equipment manufacturing and system implementation services for rail transportation control systems to its customers. Through its "three-in-one" business model, the Company has become a rail transportation control system solution provider that is capable of independently providing an entire suite of products and services across the whole market chain.

The Company is principally engaged in the following four business lines:

- *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 sale of signal system products, communication information system products and other products;
- *System implementation*: includes construction, installation, testing and maintenance services for rail transportation control system projects; and
- *Construction contracting*: mainly includes the contracting of municipal projects and related construction services.

The discussion and analysis of the Group's performance for the year and the key factors and future development affecting its results and financial position are set out in "Management Discussion and Analysis" on pages 7 to 20, this "Report of the Directors", and "Significant Events" on page 44.

Details of the major subsidiaries, joint ventures and associates of the Company will set out in the relevant notes to the financial statement included in the annual report published by the Company in due course.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE OF THE COMPANY

In 2016, the Group continuously paid close attention to energy conservation and environmental protection, striving to create a green, safe and comfortable working environment. The Group achieved remarkable results in building a paperless office by establishing various means to handle work via electronic means, including the construction of an IT-oriented platform. Meanwhile, the Group also endeavoured to raise energy conservation awareness and to minimize the consumption of water, electricity, coal, gas and other resources through management of energy conservation and consumption reduction in its office areas. In addition, the Group encouraged its staff to convene meetings in the form of teleconference to reduce the use of vehicles and to avoid travel, so as to minimize carbon emission and energy consumption arising from business trips.

COMPLIANCE WITH LAWS AND REGULATIONS

As the Group's main businesses are to provide specialized one-stop solution of design and integration, equipment manufacturing and system implementation services for rail transportation control systems to our customers, the Group is subject to relevant PRC policies, laws and regulations, including the Railway Law of the People's Republic of China and the Production Safety Law of the People's Republic of China and are under supervision of government authorities. Such laws, regulations and policies mainly govern the operation and management of railway industry. In addition, all our business operations in the PRC are subject to the laws and regulations regarding quality, safety production, environmental protection, intellectual property and labor. Besides, any violation of those laws and regulations may result in sanctions, including warnings, penalties and remedies, which have an adverse impact on the Group's business operation and future development.

In addition, the Group is required to obtain and maintain valid permits, licenses, certificates and approvals from various governmental authorities or institutions under relevant laws and regulations for our businesses of design and integration, equipment manufacturing and system implementation services. The Group must comply with the restrictions and conditions imposed by various levels of governmental agencies to maintain the Group's permits, licenses, approvals and certificates. Should the Group fail to comply with any of the regulations or meet any of the conditions required for the maintenance of the Group's permits, licenses, approvals and certificates, such permits, licenses, approvals and certificates could be temporarily suspended or even revoked, or the renewal thereof, upon expiry of their original terms, may be delayed or rejected, which could materially and adversely impact our business, financial condition and results of operations.

As a H share company incorporated in the PRC with limited liabilities and listed on the Hong Kong Stock Exchange, the Company is governed by various applicable domestic laws and regulations including the Company Law of the People's Republic of China, the Standards for Corporate Governance of Listed Companies (《上市公司治理準則》) promulgated by the CSRC, the Guideline on Comprehensive Risk of Central Enterprises (《中央企業全面風險指引》) promulgated by the SASAC, as well as the Listing Rules and the Securities and Futures Ordinance.

The Group has implemented internal control measures to ensure its compliance with such laws and regulations. Having reviewed the business performance of the Group, the Board is of the view that the Group has been in compliance with the requirements of relevant laws and regulations in all material respects.

The discussion and analysis of legal risks exposed to the Company are set out in "Management Discussion and Analysis" on pages 7 to 20.

REPORT OF THE DIRECTORS

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, SFC 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 the section headed "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 RMB4,489.3 million and HK\$215.2 million, among which, RMB1,130.7 million was used in the construction of the CRSC Railway Transportation Research Center; RMB1,833.6 million was used in the technical overhaul of CRSC Xi'an, our subsidiary, 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; proceeds retained in the overseas for payment of listing underwriting fee and relevant intermediaries fee of HK\$215.2 million.

Save for the use of proceeds mentioned above, approximately HK\$1,059.5 million and RMB3,758.1 million of the Company's proceeds remains unused and has been deposited in the special account maintained by the Company with the bank.

PERFORMANCE

The performance of the Group for the year ended 31 December 2016 is set out in the audited consolidated statements of profit or loss and other comprehensive income on page 81. The financial position of the Group for the year ended 31 December 2016 is set out in the consolidated statements of financial position on pages 82 to 83.

REPORT OF THE DIRECTORS

DISTRIBUTION PLAN AND POLICY OF FINAL DIVIDEND

Final Dividend

According to the resolutions in relation to the “Resolution in Relation to the Profit Distribution Policy of the Company” passed at the 2015 second general meeting held at 21 May 2015 and the dividend policy as set out in the Prospectus of the Company, the Company will distribute cash dividends under the circumstances that the profit and accumulated undistributed profit of the year are both positive and the cash reserve is abundant. The profit to be distributed in cash every year will be no less than 15% of the distributable profit of the realized consolidated financial statement of the year (the lower of the audit results of the accounting rules of the PRC and the International Financial Reporting Standards respectively).

The Board has proposed to distribute 2016 final dividend to the domestic shareholders and H shareholders (the “Shareholders”) whose names appear on the register of members of the Company on the record date specified in the notice of 2016 annual general meeting to be published by the Company in due course a cash dividend of RMB0.10 (tax inclusive) per share. The 2016 final dividend to be distributed will be denominated and announced in RMB, of which domestic shareholders will be paid in RMB and H shareholders will be paid in HK dollars. The exchange rate of HK dollars will be calculated in accordance with the average central parity rate published by the People’s Bank of China of the three working days before the day the dividend distribution announcement is made (inclusive of the day of the dividend distribution announcement). Such final dividend is expected to be distributed on 17 July 2017. The above profit distribution plan is subject to approval at the 2016 annual general meeting of the Company.

Withholding and Payment of Final Dividend Income Tax

Final dividend income tax applicable to overseas shareholders

Withholding and Payment of Enterprise Income Tax on behalf of Overseas Non-Resident Enterprise Shareholders

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and its implementing rules and the requirements under the Notice on the Issues Concerning Withholding and Payment of the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation (國家稅務總局《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), the Company will withhold and pay enterprise income tax at the rate of 10% when it distributes the final dividend to overseas non-resident enterprise holders of H shares (including any H shares of the Company registered in the name of HKSCC Nominees Limited, but excluding any H shares of the Company registered in the name of HKSCC Nominees Limited which are held by China Securities Depository and Clearing Corporation Limited as nominee shareholder on behalf of investors who invest in the H shares of the Company through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect).

Withholding and Payment of Individual Income Tax on behalf of Overseas Individual Shareholders

Pursuant to the applicable provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementing rules, the Tax Notice, the Notice of the State Administration of Taxation on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) and other relevant laws, regulations and requirements under normative documents, the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of the overseas individual H shareholders:

REPORT OF THE DIRECTORS

- For individual H shareholders who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these individual H shareholders in the distribution of the final dividend;
- For individual H shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of these individual H shareholders in the distribution of the final dividend. If relevant individual H shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Notice. Qualified shareholders please submit in time a letter of entrustment and all application materials as required under the Tax Notice to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited. The Company will then submit the above documents to the competent tax authorities and, after their examination and if and when approved, the Company will assist in refunding the excess amount of tax withheld and paid;
- For individual H shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of these individual H shareholders in the distribution of the final dividend; and
- For individual H shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these individual H shareholders in the distribution of the final dividend.

Final dividend income tax applicable to shareholders in Mainland China investing in H shares of the Company through Southbound Trading Link

Withholding and Payment of Individual Income Tax on behalf of Domestic Individual Shareholders Investing through Southbound Trading Link

- **Shanghai-Hong Kong Stock Connect:** Pursuant to the Notice on Tax Policies for Shanghai-Hong Kong Stock Connect Pilot Program (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), for domestic individual shareholders who invest in H shares of the Company through Shanghai-Hong Kong Stock Connect (such H shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as nominee shareholder), the Company will withhold and pay individual income tax at the rate of 20% on their behalf in the distribution of the final dividend. For domestic shareholders who are securities investment funds investing in H shares of the Company through Shanghai-Hong Kong Stock Connect (such H shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as nominee shareholder), the Company will withhold and pay individual income tax at the rate of 20% on their behalf in the distribution of the final dividend.

REPORT OF THE DIRECTORS

- **Shenzhen-Hong Kong Stock Connect:** Pursuant to the Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Program (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for domestic individual shareholders who invest in H shares of the Company through Shenzhen-Hong Kong Stock Connect (such H shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as nominee shareholder), the Company will withhold and pay individual income tax at the rate of 20% on their behalf in the distribution of the final dividend. For domestic shareholders who are securities investment funds investing in H shares of the Company through Shenzhen-Hong Kong Stock Connect (such H shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as nominee shareholder), the Company will withhold and pay individual income tax at the rate of 20% on their behalf in the distribution of the final dividend.

No Withholding and Payment of Enterprise Income Tax on behalf of Domestic Enterprise Shareholders Investing through Southbound Trading Link

- **Shanghai-Hong Kong Stock Connect:** Pursuant to the Notice on Tax Policies for Shanghai-Hong Kong Stock Connect Pilot Program (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), for domestic enterprise shareholders who invest in H shares of the Company through Shanghai-Hong Kong Stock Connect (such H shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as nominee shareholder), the Company will not withhold or pay enterprise income tax on their behalf in the distribution of the final dividend, and the domestic enterprise shareholders shall report and pay the relevant taxes payable by themselves. Any dividend received in respect of H shares of the Company which have been continuously held by a domestic enterprise shareholder for 12 months shall be exempted from enterprise income tax.
- **Shenzhen-Hong Kong Stock Connect:** Pursuant to the Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Program (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for domestic enterprise shareholders who invest in H shares of the Company through Shenzhen-Hong Kong Stock Connect (such H shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as nominee shareholder), the Company will not withhold or pay enterprise income tax on their behalf in the distribution of the final dividend, and the domestic enterprise shareholders shall report and pay the relevant taxes payable by themselves. Any dividend received in respect of H shares of the Company which have been continuously held by a domestic enterprise shareholder for 12 months shall be exempted from enterprise income tax.

H shareholders of the Company are recommended to consult their own tax advisors on the relevant tax impact in China, Hong Kong and other countries (regions) on the possession and disposal of H shares of the Company.

The time arrangement such as record date and the cash payment date of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect investors is in line with H Shareholders of the Company.

REPORT OF THE DIRECTORS

ISSUED SHARE CAPITAL

As of 31 December 2016, the total share capital of the Company was RMB8,789,819,000, divided into 8,789,819,000 shares with a nominal value of RMB1.00 each. Details of the change of the share capital of the Company during the reporting period will be set out in the relevant notes to the financial statement included in the annual report published by the Company in due course.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor the Group repurchased, sold or redeemed any of the Company's listed securities during the reporting period.

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment of the Group for 2016 will be set out in the relevant notes to the financial statement included in the annual report published by the Company in due course.

At the end of the reporting period, the Group had no investment properties or properties held for development and/or sale with one or more of the percentage ratios (as defined under Rule 14.04 (9) of the Hong Kong Listing Rules) exceeding 5%.

TAXATION

Details of the taxation of the Group for 2016 are set out in note 6 to the financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

Details of the events after the balance sheet date of the Group will be set out in the relevant notes to the financial statement included in the annual report published by the Company in due course.

REPORT OF THE DIRECTORS

CAPITAL RESERVE, SURPLUS RESERVE AND SPECIAL RESERVE

Details of the capital reserve, surplus reserve and special reserve of the Group for 2016 will be set out in the relevant notes to the financial statement included in the annual report published by the Company in due course.

DISTRIBUTABLE RESERVE

As at 31 December 2016, the distributable reserve (retained earnings) of the Company amounted to RMB4,748.9 million.

Pursuant to Article 209 of the Articles, “the financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or that of the overseas place where the shares of the Company are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, explanations shall be made in the notes to financial statements. When the Company is to distribute its profit after taxation, the lower of the profit after taxation as shown in the two financial statements shall be adopted.”

The Board proposes to set aside 10% of the profit after tax as the statutory surplus reserve in accordance with the Company Law and the Articles of the Company, and not to set aside discretionary reserve. This proposal will be submitted to the 2016 annual general meeting for consideration and approval.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, total sales to the Company’s five largest customers represented approximately 14.4% of total revenue for the year, among which total sales to the largest customer accounted for approximately 5.0% of total revenue for the year.

For the year ended 31 December 2016, total purchase from the Company’s five largest suppliers represented approximately 9.3% of total cost of sales for the year, among which total purchase from the largest supplier accounted for approximately 4.7% of total cost of sales for the year.

In 2016, none of the Directors, close associates of Directors or shareholders of the Company (who, to the knowledge of the Directors, holds more than 5% of the issued share capital of the Company) had interests in the five largest customers or the five largest suppliers of the Group.

In terms of customer, the Group mainly provides rail transportation control system design and integration, equipment manufacturing and system implementation services to domestic and overseas customers to construct and upgrade the rail transportation control systems for railways and urban transit. In the railway sector, majority of the Group’s customers are China Railway Corporation affiliated entities. The Group generally wins purchase orders for railway control system products and services from the customers affiliated with China Railway Corporation through their public bidding processes. In the urban transit sector, the Group’s customers are mostly metro construction companies and operation companies controlled by the local governments. The Group also regularly participates in industry exhibitions organized by China Railway Corporation, the PRC Communications and Transportation Association (中國交通協會) and the PRC Metro Committee (中國城市軌道交通專業委員會), through demonstrating our corporate strength and image, to advertise and promote our products to professional customers.

REPORT OF THE DIRECTORS

In terms of supplier, the Group have multiple sources for most of our components and raw materials to reduce possible interruptions to our business operations and reliance on single supplier. This helps the Group to maintain stability of components and raw materials procurement. Therefore, quality or delivery problems with respect to any single supplier generally will not lead to a material adverse effect on the Group's business operations. The Group has maintained business relationships with various major suppliers for five years or more, and entered into legally binding, long-term supply framework agreements.

During the reporting period, the Group maintained good co-operation relations with its major customers and suppliers. The Group kept contact with its customers and suppliers, and maintained communication with them via various channels, such as telephone, email and physical meetings, to receive feedback and suggestions.

STAFF

Staff is the key for the Group's sustainable development. Details of the staff of the Group are set out in "Directors, Supervisors and Senior Management" on pages 72 to 80.

BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Group as of 31 December 2016 will be set out in the relevant notes to the financial statement included in the annual report published by the Company in due course.

ENTRUSTED DEPOSITS AND OVERDUE TERM DEPOSITS

As of 31 December 2016, the Company had no entrusted deposits with financial institutions in China, or term deposits which were overdue but unrecovered.

EXTERNAL DONATIONS

In 2016, the Company donated a total of RMB0.69 million to various organizations including local charities and governments of impoverished counties.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets out the information on the Directors, the Supervisors and senior management of the Company in 2016.

Name	Position held in the Company	Date of appointment
Directors		
Mr. ZHOU Zhiliang	Chairman and executive Director	31 January 2012
Mr. FU Jianguo	Executive Director and vice chairman	6 September 2016
Mr. YIN Gang	Executive Director and president	21 May 2015
Mr. WANG Jiajie	Independent non-executive Director	21 May 2015
Mr. SUN Patrick	Independent non-executive Director	21 May 2015
Mr. CHEN Jin'en	Independent non-executive Director	21 May 2015
Mr. GAO Shutang	Independent non-executive Director	21 May 2015

REPORT OF THE DIRECTORS

Ms. LI Yanqing (she resigned as an executive Director and a vice chairwoman on 20 July 2016)

Supervisors

Ms. TIAN Liyan	Chairwoman of the Supervisory Committee	21 May 2015
Mr. GAO Fan	Supervisor	21 May 2015
Ms. ZHAO Xiumei	Employee representative Supervisor	21 May 2015

Senior Management

Mr. YIN Gang	President and executive Director	22 May 2015
Mr. KONG Ning	Vice president	27 July 2016
Mr. HU Shaofeng	Chief accountant and Board secretary	27 July 2016
Mr. CHEN Hong	Vice president	18 April 2013
Mr. HUANG Weizhong	Vice president	18 April 2013

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 20 July 2016, Ms. LI Yanqing, an executive Director of the Company, resigned from the positions of the executive Director of the Company, the vice chairwoman and the member of the Strategy and Investment Committee, the Nomination Committee and the Quality and Safety Committee of the Board due to having reached the age of retirement. Meanwhile, since July 20, 2016, Mr. KONG Ning has ceased to be the chief accountant of the Company and became the vice president of the Company. In addition, since the same date, Mr. HU Shaofeng has become the chief accountant of the Company. On 6 September 2016, the Company considered and approved to appoint Mr. Fu Jianguo as the executive director of the Company at the 2016 first extraordinary general meeting, and will hold the office until the expiration of the second session of the Board. At the same date, the Board has also passed a resolution to appoint Mr. Fu Jianguo as the Company's vice chairman, and a member of the Strategy and Investment Committee, the Nomination Committee and the Quality and Safety Committee under the Board.

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and Senior Management are set out on pages 74 to 80.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company, the principal particulars of which comprise: (a) the term being from the date of appointment and until the date of the expiration of the Incumbent Board/the incumbent Supervisory Committee; and (b) termination provisions in accordance with their respective terms.

Save as disclosed above, none of the Directors or Supervisors has entered into or intends to enter into a service contract with any member of the Group (other than contracts expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation)).

REPORT OF THE DIRECTORS

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Remuneration of the Directors and Supervisors are paid in the form of fees, salaries, pension-defined contribution, discretionary bonuses, housing allowances and other allowances and benefits in kind.

Details of the directors, supervisors and five highest paid individuals of the Company will be set out in the relevant notes to the financial statement will be included in the annual report published by the Company in due course.

During the reporting period, the remuneration of the senior management members (except for Ms. NG Wing Shan, one of the joint company secretaries of the Company, who serves as the vice president of SW Corporate Services Group Limited) whose biographical details are set out in the section headed “Directors, Supervisors, Senior Management” is disclosed in the corporate governance report.

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

During the reporting period, the Group did not participate in, directly or indirectly, concluding transactions, arrangements and contracts of significance in which the Director or the Supervisor or any entity which he or she was related to was materially interested, and related to the businesses of the Company and were subsisting during or by the end of the year.

INTERESTS OF DIRECTORS IN COMPETING BUSINESSES

During the reporting period, save as disclosed in this announcement, none of the Directors or any of their respective associates had any competing interests in the businesses which, directly or indirectly, competed or were likely to compete with the Company.

DIRECTORS AND SUPERVISORS SERVING IN COMPETING BUSINESSES

The businesses of the Group are partially competing with those of CRSC Corporation Group and its subsidiaries. The Company’s executive Director (Mr. ZHOU Zhiliang) devotes most of his time into the management of the Company’s daily operations.

The Company further confirms that, as of the date of this announcement, members of the senior management have not involved in the daily operations of the businesses of CRSC Corporation Group and its subsidiaries which compete with the Group’s businesses.

The following table summarizes the particulars of the Directors of the Company serving in CRSC Corporation Group and its subsidiaries:

Name	Main Positions in the Group	Main Position in CRSC Corporation Group and its subsidiaries
Mr. ZHOU Zhiliang	Chairman and executive Director of the Company	General manager of CRSC Corporation Group

Save as disclosed above, none of the Directors, the Supervisors or their respective associates had any interests in the businesses which competed or were likely to compete with the Group, or any other conflict of interests with the Group.

REPORT OF THE DIRECTORS

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

As at 31 December 2016, none of the Directors, the 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 set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or Supervisors or any of their respective associates was granted by the Company or its subsidiaries any right to acquire the shares or debentures of the Company or any other corporate body, or had exercised any such right.

FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

As at the date of this announcement, there were no financial, business or family relationships among the Directors, Supervisors and Senior Management members of the Company.

DIRECTORS' INSURANCE

As at the date of this announcement, the Company maintained effective directors' insurance for the Directors of the Company.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

For the shareholdings of substantial shareholders in the Company, please refer to "Changes in Share Capital and Information of Shareholders — Interests and Short Positions of Substantial Shareholders in Share and Underlying Shares" on pages 46 to 47.

REPORT OF THE DIRECTORS

ARRANGEMENTS FOR SHARE PRE-EMPTIVE RIGHT AND STOCK OPTION

In 2016, no arrangement for share pre-emptive right and stock option was made by the Company, as there are no specific provisions under the China laws or the Articles regarding share pre-emptive right.

COMPLIANCE OF CRSC CORPORATION GROUP WITH THE NON-COMPETITION UNDERTAKING

The Company has received the confirmation letter from CRSC Corporation Group, which confirms that, in 2016, CRSC Corporation Group was in compliance with all undertakings as set out in the “Letter of Non-competition Undertaking” issued to the Company.

PUBLIC FLOAT

According to the information publicly available to the Company, and to the knowledge of the Directors of the Company, the public held no less than 22.40% of shares issued by the Company as at the date of this announcement, which is in compliance with the waiver regarding public float obtained by the Company when Listing. For details, please refer to the Prospectus and the Company’s announcement dated 30 August 2015 in relation to partial exercise of over-allotment option.

CONNECTED TRANSACTIONS

During the reporting period, the Group has conducted the following connected transactions:

EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions of the Group have been entered into on normal commercial terms. Pursuant to Chapter 14A of the Listing Rules, such transactions are exempt from the requirements of reporting, annual review, announcement and approval by independent shareholders under Chapter 14A of the Listing Rules.

Property Leasing Framework Agreement between CRSC Corporation Group and the Company

The Company entered into a property leasing framework agreement (the “Property Leasing Framework Agreement”) with CRSC Corporation Group on 19 July 2015, pursuant to which, the Group and CRSC Corporation Group and/or its associates may lease properties, including land and buildings, from each other according to actual demands.

REPORT OF THE DIRECTORS

The principal terms of the Property Leasing Framework Agreement include: (1) rental pricing policy (see below); (2) that the Group and CRSC Corporation Group and/or its associates must enter into specific agreements to stipulate specific terms and conditions, including property rental, payment method and other usage fees, in respect of the relevant leasing property and facilities based on the principles as set out in the Property Leasing Framework Agreement; and (3) that the Property Leasing Framework Agreement will have a term of three years commencing from the Listing Date and may be renewed with mutual consent after negotiation.

According to the pricing policy of the Property Leasing Framework Agreement, the rental price shall be determined at arm's length negotiations between relevant parties and by reference to the prevailing market price of local properties with similar size and quality.

The Property Leasing Framework Agreement was entered into on normal commercial terms. Pursuant to Chapter 14A of the Listing Rules, all relevant annual "applicable percentage ratios" of the relevant transactions are less than 0.1%. Pursuant to Rule 14A.76(1) (a) of the Listing Rules, the aforesaid continuing connected transactions are exempt from the requirements of reporting, annual review, announcement and approval by independent shareholders under Chapter 14A of the Listing Rules.

General Services Framework Agreement between CRSC Corporation Group and the Company

The Company entered into a general services framework agreement (the "CRSC Corporation Group General Services Framework Agreement") with CRSC Corporation Group on 19 July 2015, pursuant to which, CRSC Corporation Group and/or its associates may provide integrated services, such as logistics, to us according to actual needs.

The principal terms of the CRSC Corporation Group General Services Framework Agreement include: (1) pricing policy of service fee (see below); (2) except for public tender, both parties must confirm the service demand plan for the next year or the service adjustment plan of the current year on a stipulated date of each year; (3) the Group and CRSC Corporation Group and/or its associates must enter into specific agreements to stipulate specific terms and conditions, including specific scope of service, form of service and payment method, in respect of the relevant services based on the principles as set out in the CRSC Corporation Group General Services Framework Agreement; and (4) the CRSC Corporation Group General Services Framework Agreement will have a term of three years commencing from the Listing Date and may be renewed with mutual consent after negotiation.

According to the pricing policy of the CRSC Corporation Group General Services Framework Agreement, the provision of logistics service to the Group by CRSC Corporation Group and/or its associates is priced at the cost of the service without making any profit to ensure the service fee is fair and reasonable or more favorable to the Group than being available from independent third parties.

The CRSC Corporation Group General Services Framework Agreement was entered into on normal commercial terms. Pursuant to Chapter 14A of the Listing Rules, all relevant annual "applicable percentage ratios" of the relevant transactions are less than 0.1%. Pursuant to Rule 14A.76(1) (a) of the Listing Rules, the aforesaid continuing connected transactions are exempt from the requirements of reporting, annual review, announcement and approval by independent shareholders under Chapter 14A of the Listing Rules.

Domain Name Usage Licensing Agreement between CRSC Corporation Group and the Company

The Company entered into a domain name usage licensing agreement (the “Domain Name Usage Licensing Agreement”) with CRSC Corporation Group on 19 July 2015, pursuant to which, CRSC Corporation Group has agreed to authorize the Group to use the domain names “csrc.cn”, “csrc.com.cn” and “csrc.中國” owned by it at nil consideration. The licensing period of domain name usage will commence from the Listing Date for a term of ten years.

The Domain Name Usage Licensing Agreement was entered into on normal commercial terms. Pursuant to Chapter 14A of the Listing Rules, all relevant annual “applicable percentage ratios” of the relevant transactions are less than 0.1%. Pursuant to Rule 14A.76(1) (a) of the Listing Rules, the aforesaid continuing connected transactions are exempt from the requirements of reporting, annual review, announcement and approval by independent shareholders under Chapter 14A of the Listing Rules.

Service Agreement between CRSC CASCO and ALSTOM IC

CRSC CASCO and ALSTOM IC entered into a service agreement (the “Service Agreement”) on 27 April 2015, pursuant to which, ALSTOM IC would designate personnel to CRSC CASCO for the provision of supportive service, and CRSC CASCO would pay an annual service fee and annual bonus for the designated personnel to ALSTOM IC. The agreement shall remain valid during the operation period of CRSC CASCO. The Service Agreement will be effective from 1 June 2015.

According to the pricing policy of the Service Agreement, during the period from 1 March 2006 to 31 March 2007, the annual service fee under the Service Agreement was RMB1,650,165, and the amount of annual fee in subsequent years would be adjusted after negotiation between the parties according to the actual expenses incurred for the provision of this service by ALSTOM IC. The annual bonus for deployed personnel under the Service Agreement shall be determined by the chairman and vice chairman of CRSC CASCO.

The Service Agreement was entered into on normal commercial terms. Pursuant to Chapter 14A of the Listing Rules, all relevant annual “applicable percentage ratios” of the relevant transactions are less than 1%. The transaction above constitutes a connected transaction under the Listing Rules only because it involves a connected person at the subsidiary level, therefore, according to Rule 14A.76(1) (b) of the Listing Rules, the aforesaid continuing connected transactions are exempt from the requirements of reporting, annual review, announcement and approval by independent shareholders under Chapter 14A of the Listing Rules.

U888 Technology Transfer Framework Agreement between CRSC CASCO and ALSTOM Transport S.A.

CRSC CASCO and ALSTOM Transport S.A. entered into the U888 technology transfer framework agreement (the “U888 Technology Transfer Framework Agreement”) on 10 September 2008, pursuant to which, ALSTOM Transport S.A. agreed to transfer the relevant technology to CRSC CASCO and CRSC CASCO agreed to accept such technology for application in URBALIS 888 solutions and for the production and sales of UNIVIC and 2oo3 Platform. For this purpose, ALSTOM Transport S.A. granted the right to use relevant technology to CRSC CASCO which is non-transferable and cannot be sub-licensed. The agreement will remain valid until 4 March 2023.

REPORT OF THE DIRECTORS

According to the pricing policy of the U888 Technology Transfer Framework Agreement, based on the value of the transferred technology, the required product assembly, inspection and testing, maintenance, training as well as other services that will be provided by ALSTOM Transport S.A. during the transferring process, a price quotation will be provided by ALSTOM Transport S.A. and the final price will be determined at arm's length negotiation between both parties.

The U888 Technology Transfer Framework Agreement was entered into on normal commercial terms. Pursuant to Chapter 14A of the Listing Rules, all relevant annual “applicable percentage ratios” of the relevant transactions are less than 1%. The transaction above constitutes a connected transaction under the Listing Rules only because it involves a connected person at the subsidiary level, therefore, according to Rule 14A.76(1) (b) of the Listing Rules, the aforesaid continuing connected transactions are exempt from the requirements of reporting, annual review, announcement and approval by independent shareholders under Chapter 14A of the Listing Rules.

Services Framework Agreements on Mutual Provision of Support among the Company, ALSTOM Transport S.A. and Alstom Transport Holdings

The Company entered into the general services framework agreement (the “Alstom General Services Framework Agreements”) with ALSTOM Transport S.A. and Alstom Transport Holdings, respectively, on 13 July 2015. The ALSTOM General Services Framework Agreements shall be effective from the Listing Date for a term of three years. They are subject to renewal after mutual negotiation. Under the Alstom General Services Framework Agreements, we may engage in mutual supply of technical services with ALSTOM Transport S.A. and Alstom Transport Holdings and/or their respective subsidiaries.

According to the pricing policy of the Alstom General Services Framework Agreements, with respect to technical services required by the Company, the Company generally selects suppliers through tender process, the price will be determined on the basis of the specific competitive bidding in the market and by considering various factors comprehensively, such as, among others, the quality of service provided by ALSTOM, work load and labour cost. With respect to the technical services provide by the Company to ALSTOM, the price will be determined by considering comprehensively the prevailing conditions, scale, needs of the project, and the costs of labour, materials, transportation and logistics, together with the market competition in bidding for the project.

The Alstom General Services Framework Agreements were entered into on normal commercial terms. Pursuant to Chapter 14A of the Listing Rules, all relevant annual “applicable percentage ratios” of the relevant transactions are less than 1%. The transaction above constitutes a connected transaction under the Listing Rules only because it involves a connected person at the subsidiary level, therefore, according to Rule 14A.76(1) (b) of the Listing Rules, the aforesaid continuing connected transactions are exempt from the requirements of reporting, annual review, announcement and approval by independent shareholders under Chapter 14A of the Listing Rules.

Sales Services Framework Agreements among the Company, ALSTOM Transport S.A. and Alstom Transport Holdings

The Company entered into the Alstom General Services Framework Agreements with ALSTOM Transport S.A. and Alstom Transport Holdings, respectively, on 13 July 2015. The ALSTOM General Services Framework Agreements shall be effective from the Listing Date for a term of three years. They are subject to renewal after mutual negotiation. Under the Alstom General Services Framework Agreements, we may sell our products to ALSTOM Transport S.A. and Alstom Transport Holdings and/or their respective subsidiaries.

According to the pricing policy of the Alstom General Services Framework Agreements, price will be determined by considering comprehensively the project conditions, scale, demands and costs of labour, materials, transportation and logistics, together with market supply and demand conditions.

The Alstom General Services Framework Agreements were entered into on normal commercial terms. Pursuant to Chapter 14A of the Listing Rules, all relevant annual “applicable percentage ratios” of the relevant transactions are less than 1%. The transaction above constitutes a connected transaction under the Listing Rules only because it involves a connected person at the subsidiary level, therefore, according to Rule 14A.76(1) (b) of the Listing Rules, the aforesaid continuing connected transactions are exempt from the requirements of reporting, annual review, announcement and approval by independent shareholders under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions of the Group have been entered into on normal commercial terms. Pursuant to Chapter 14A of the Listing Rules, all relevant annual “applicable percentage ratios” of the relevant transactions are less than 5%. According to Rules 14A.74 and 14A.76(2) (a) of the Listing Rules, these continuing connected transactions are subject to the requirements of reporting and announcement, but are exempt from the requirement of approval by independent shareholders under Chapter 14A of the Listing Rules.

Purchases and Sales Framework Agreement between the Company and CRSC Corporation Group

The Company entered into a purchases and sales framework agreement (the “CRSC Corporation Group Purchases and Sales Framework Agreement”) with CRSC Corporation Group on 19 July 2015, pursuant to which, the Group and CRSC Corporation Group and/or its associates may purchase or sell, among others, materials, equipment, parts and accessories and related products (including the provision of relevant third party processing business) to each other. The principal terms of CRSC Corporation Group Purchases and Sales Framework Agreement include: (1) pricing policy (see below); (2) that except for public tender, both parties must confirm the demand schedule for the next year or the demand adjustment schedule of the current year on a stipulated date of each year; (3) that the Group and CRSC Corporation Group and/or its associates must enter into specific agreements to stipulate specific terms and conditions, including specific scope of business, quality standards, specific fees and payment method, in respect of the relevant business based on the principles as set out in the CRSC Corporation Group Purchases and Sales Framework Agreement; and (4) that the CRSC Corporation Group Purchases and Sales Framework Agreement will have a term of three years commencing from the Listing Date and may be renewed with mutual consent after negotiation.

REPORT OF THE DIRECTORS

According to the pricing policy of the CRSC Corporation Group Purchases and Sales Framework Agreement, the pricing will be determined on the basis of market price, together with purchasing costs of materials, labour costs, management costs, transportation and packaging costs incurred by sales, tax burden and profitability standards. The pricing of products provided by the Group to CRSC Corporation Group and/or its associates will be by reference to and subject to the contractual terms agreed between CRSC Corporation Group and the contractual party of the Overseas Project. CRSC Corporation Group will purchase products from the Group at the price agreed between itself and the contractual party of the Overseas Project and supply the same to the contractual party of the Overseas Project without making any profit.

The Company applied to the Stock Exchange for exemption of the aforesaid connected transaction from the announcement requirement under Chapter 14A of the Listing Rules, on condition that the aggregate amount of non-exempt continuing connected transactions in each of 2015, 2016 and 2017 will not exceed the respective annual caps set out in the Prospectus. The Stock Exchange approved the above-mentioned exemption.

During the reporting period, the exempt caps of the purchases/sales of this connected transaction approved by the Stock Exchange for 2016 were RMB117,912,000 and RMB66,345,000, respectively. The actual total transaction amounts of purchases/sales by the Group and CRSC Corporation Group under the aforesaid agreements were RMB88,603,000 and RMB7,747,000, respectively.

General Services Framework Agreement between the Company and CRSC Corporation Group

Pursuant to the CRSC Corporation Group General Services Framework Agreement entered into between the Company and CRSC Corporation Group on 19 July 2015, the Group may provide integrated services, such as property entrustment management and technical services, to CRSC Corporation Group and/or its associates. The principal terms of the CRSC Corporation Group General Services Framework Agreement include: (1) pricing policy of service fee (see below); (2) except for public tender, both parties must confirm the service demand plan for the next year or the service adjustment plan of the current year on a stipulated date of each year; (3) the Group and CRSC Corporation Group and/or its associates must enter into specific agreements to stipulate specific terms and conditions, including specific scope of service, form of service and payment method, in respect of the relevant services based on the principles as set out in the CRSC Corporation Group General Services Framework Agreement; and (4) the CRSC Corporation Group General Services Framework Agreement will have a term of three years commencing from the Listing Date and may be renewed with mutual consent after negotiation.

According to the pricing policy of the CRSC Corporation Group General Services Framework Agreement, the service fees of property entrustment service will be determined at arm's length negotiations between the relevant parties by reference to the market rate of service fees required by local properties with similar size and quality. The pricing of technical services provided by the Group to CRSC Corporation Group and/or its associates shall comply with the terms of agreement between CRSC Corporation Group and the contractual party of the project. CRSC Corporation Group will purchase technical services from the Group at the price agreed between itself and the contractual party of the project and then supply the same to the contractual party of the project, without making any profit.

The Company applied to the Stock Exchange for exemption of the aforesaid connected transaction from the announcement requirement under Chapter 14A of the Listing Rules, on condition that the aggregate amount of non-exempt continuing connected transactions in each of 2015, 2016 and 2017 will not exceed the respective annual caps set out in the prospectus. The Stock Exchange approved the above-mentioned exemption.

REPORT OF THE DIRECTORS

During the reporting period, the exempt caps of this connected transaction approved by the Stock Exchange for 2016 was RMB30,000,000. During the reporting period, the Group hasn't provided general service transaction to CRSC Corporation Group and/or its associates under the aforesaid agreement.

General Services Framework Agreements among the Company, ALSTOM Transport S.A. and Alstom Transport Holdings

The Company entered into the general services framework agreement ("Alstom General Services Framework Agreements") with ALSTOM Transport S.A. and Alstom Transport Holdings, respectively, on 13 July 2015. The ALSTOM General Services Framework Agreements shall be effective from the Listing Date for a term of three years. They are subject to renewal after mutual negotiation. Under the Alstom General Services Framework Agreements, we may purchase products from ALSTOM Transport S.A. and Alstom Transport Holdings and/or their respective subsidiaries.

According to the pricing policy of the Alstom General Services Framework Agreements, with respect to products required by the Company, the Company generally selects suppliers through tender process, the price will be determined by considering comprehensively, among others, the specific competitive bidding in the market, price quotation from ALSTOM, specific conditions of the project and product cost. If the tender process will not be carried out, then the price will be determined by reference to historical price and through negotiations and communications between the parties.

The Company applied to the Stock Exchange for exemption of the aforesaid connected transaction from the announcement requirement under Chapter 14A of the Listing Rules, on condition that the aggregate amount of non-exempt continuing connected transactions in each of 2015, 2016 and 2017 will not exceed the respective annual caps set out in the prospectus. The Stock Exchange approved the above-mentioned exemption.

During the reporting period, the exempt caps of this connected transaction approved by the Stock Exchange for 2016 was RMB90,510,000. The actual total amount of purchases from Alstom Transport Holdings and/or its subsidiaries under the aforesaid agreement was RMB72,769,000.

CONFIRMATION BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the Company have reviewed the aforesaid continuing connected persons and have confirmed that they have been entered into: in the ordinary and usual course of the Group's business; on normal or better commercial terms; on conditions no less favorable to the Company than those offered to or by (as the case may be) independent third parties, if it was not practical to make such judgement based on comparable transactions as to whether such transactions have been carried out on normal commercial terms; and in accordance with relevant agreements whose terms are fair and reasonable and in the interest of the shareholders of the Company as a whole.

REPORT OF THE DIRECTORS

AUDITOR'S LETTER

In accordance with Rule 14A.56 of the Listing Rules, the Company has engaged its auditor, Ernst & Young, to report on the Group's continuing connected transactions in accordance with Hong Kong Standards on Assurance Engagements 3000 "Hong Kong Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accounts. Based on its work, Ernst & Young has provided the Board with a letter confirming that, with respect to the aforesaid continuing connected transactions:

- (a) nothing has come to Ernst & Young's attention that causes it to believe that the aforesaid continued connected transactions have not been approved by the Board.
- (b) in relation to the transactions involving products or services supplied by the Group, nothing has come to Ernst & Young's attention that causes it to believe that the transactions have not followed the Group's pricing policy in any material way.
- (c) nothing has come to Ernst & Young's attention that causes it to believe that the transactions have not been carried out in any material way in accordance with the relevant agreements.
- (d) in relation to the aggregate amounts for each of the aforesaid continuing connected transactions, nothing has come to Ernst & Young's attention that causes it to believe that the actual transaction amount of any of the aforesaid continuing connected transactions has not exceeded the cap determined by the Company for the year.

NON-EXEMPT CONNECTED TRANSACTIONS

There were no non-exempt connected transactions entered into by the Company with its connected persons during the reporting period.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee has reviewed the annual results of the Company for 2016 as well as the financial statements for the year ended 31 December 2016 prepared in accordance with IFRS.

ACCOUNTING POLICIES

The principal accounting policies adopted by the Company for the preparation of its audited consolidated financial statements for 2016 are consistent with those adopted for the preparation of its audited consolidated financial statements for the year ended 31 December 2015.

REPORT OF THE DIRECTORS

AUDITORS

Beijing Branch of Deloitte Touche Tohmatsu LLP served as the auditor of the Company's annual financial statements for 2012 and 2013 prepared under the PRC Generally Accepted Accounting Principles ("PRC GAAP").

In November 2014, the Board decided to appoint Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥)) as the auditor of the Company's consolidated financial statements for 2014 prepared under PRC GAAP.

In December 2014, the Board decided to appoint Ernst & Young as the reporting accountants and independent auditor of the Company for preparation of listing and public offering.

In July 2015, the Board decided to appoint Ernst & Young and Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥)) as the auditors of the Company's consolidated financial statements for 2015 prepared under IFRSs and PRC GAAP, respectively.

In March 2016, the Board proposed to re-appoint Ernst & Young and Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥)) as the auditors of the Company's financial statements for 2016 to be prepared under IFRSs and PRC GAAP, respectively. Their term of appointment, which was proposed to be effective upon the conclusion of the 2015 Annual General Meeting of the Company and until the conclusion of 2016 Annual General Meeting of the Company, and this proposal has been effective upon approval from the 2015 annual general meeting of the Company.

In March 2017, the Board proposed to re-appoint Ernst & Young and Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥)) as the auditors of the Company's financial statements for 2017 to be prepared under IFRSs and PRC GAAP, respectively. Their term of appointment, which was proposed to be effective upon the conclusion of the 2016 Annual General Meeting of the Company and until the conclusion of 2017 Annual General Meeting of the Company, is subject to approval at the 2016 Annual General Meeting of the Company.

By order of the Board

China Railway Signal & Communication Corporation Limited*



ZHOU Zhiliang

Chairman

REPORT OF BOARD OF SUPERVISORS

In 2016, the Board of Supervisors of the Company abode by the principle of good faith, conscientiously performed its supervisory duties and effectively safeguarded the legitimate rights and interests of the Company, its shareholders and employees based on the principle of accountability to all the shareholders of the Company, in strict compliance with relevant rules and regulations such as the Company Law, the Articles of Association and the Rules of Procedure of the Board of Supervisors. The work report of the Board of Supervisors was as follows:

1. MEETINGS

On 24 March 2016, the third meeting of the second session of the Supervisory Committee was convened onsite at the headquarter of the Company by the Supervisory Committee of the Company. 3 supervisors were entitled to be present at the meeting and 3 supervisors attended the meeting. The procedures for convening and holding these meetings were in compliance with the provisions of the Articles of Association and the Rules of Procedure of the Board of Supervisors. The meeting considered and approved the following resolutions:

- (1) “Resolution in Relation to the 2015 Financial Budgets Report (Draft)”;
- (2) “Resolution in Relation to the 2015 Annual Result Announcement and Annual Report”;
- (3) “Resolution in Relation to the July to December 2015 Profit Distribution Proposal (Draft)”;
- (4) “Resolution in Relation to the 2015 Work Report of the Supervisory Committee”.

2. ATTENDANCE OF IMPORTANT MEETINGS

In 2016, the Supervisors attended two general meetings pursuant to regulations and attended seven Board meetings as non-voting attendees. Moreover, the chairperson of the Board of Supervisors also regularly attended the office meeting of the President as a non-voting attendee. By attending these important meetings as non-voting attendees, the Supervisors not only understood the operation and management of the Company, but also actively participated in the consideration and discussion of the resolutions and put forward their opinions and suggestions in a responsible manner, thus having effectively supervised the procedures for convening these meetings and the discussion of issues.

3. ROUTINE INSPECTION AND RESEARCH

The Board of Supervisors placed emphasis on combining meeting supervision with routine inspection to improve the work style, and proactively took advantage of various opportunities to carry out research, inspection and guidance tasks at the grass-roots level. During the reporting period, the Supervisors were able to combine the tasks with the work of the Board of Supervisors by participating in the supervision of internal audit, supervision of legal matters, research and study of the trading business as well as research and study of the management of construction project, etc. for carrying out a comprehensive research on major subsidiaries and high-risk projects. By carrying out field research, all the Supervisors acquired more comprehensive and in-depth knowledge and understanding of the operation and management of the Company, having assured that information was available for better carrying out supervision.

REPORT OF BOARD OF SUPERVISORS

4. INDEPENDENT OPINION AND SPECIAL EXPLANATION

- (1) Having monitored the performance of duties of directors and senior management members of the Company, and the legality of the operation of the Company the Board of Supervisors was of the view that the Board of the Company was able to make decisions according to the law and in strict compliance with various requirements such as the Company Law and the Articles of Association such that its major business decision-making procedures were lawful and valid; that the Company further perfected and improved various internal management systems and internal control mechanisms; that the Company disclosed significant information about the Company in a timely manner pursuant to the securities regulatory requirements such that the information was disclosed in a regulated manner and the securities trading system for the informed parties of insider information was conducted well; that the Directors and senior management members were able to implement conscientiously and thoroughly relevant laws and regulations, the Articles of Association and the resolutions of the general meetings and the Board during the execution of the duties of the Company in a faithful, pioneering and aggressive manner; and that no Directors or senior management members of the Company were found to have acts which violated laws, regulations or the Articles of Association or harmed the interests of the Company and the rights or interests of shareholders during the execution of their duties.
- (2) By communicating with the accounting firm in charge of the audit and review services for the Company, the Board of Supervisors examined the Company's financial statements, considered its periodic reports and the audit report of the accounting firm, regularly listened to the report of the internal audit department of the Company on the commencement of internal audit work, and carried out effective supervision and inspection on the Company's financial management and operation by means of on-site inspection, research, etc. The Board of Supervisors was of the view that the Company had a sound financial system, regulated management practices and reasonable spending of fees during 2016. The Company's 2016 financial report was audited by Ernst & Young (special general partnership) and Baker Tilly (special general partnership) which issued a standard audit report with an unqualified opinion that the 2016 annual financial report prepared by the Company fairly reflected the Company's financial status and operating results.
- (3) The Board of Supervisors monitored the utilization of the proceeds by the Company. It was of the view that the Company was able to manage and utilize the proceeds in accordance with national laws and regulations as well as the commitments made by it in the prospectus. The Board of Supervisors will continue to oversee and inspect the utilization of the proceeds.
- (4) The Board of Supervisors monitored the connected transactions carried out by the Company. It was of the view that the Company's related (connected) transactions were conducted in accordance with the Company Law, the Listing Rules as well as the Company's Articles of Association and Rules Governing Related (Connected) Transactions, and that the pricing of these related (connected) transactions was fair, without violating the principles of openness, fairness and impartiality, and without identifying any acts which harmed the interests of the Company and minority shareholders.
- (5) The Board of Supervisors made a special explanation of the Company's internal control. It was of the view that in 2016, the internal control system of the Company was continued to improve, the evaluation of the internal control was solidly implemented and the overall level of the internal control was continued to increase to so that the Company was able to give a reasonable assurance that the internal control objective would be achieved.

SIGNIFICANT EVENTS

EVENTS OF MAJOR LITIGATION, ARBITRATION AND GENERALLY QUESTIONED BY THE MEDIA

As at 31 December 2016, the Group was not involved in any incidents of major litigation, arbitration and events questioned by the general media. The Directors were also not aware of any pending or potential significant litigations or claims.

CAPITAL BEING MISUSED AND SETTLEMENT PROGRESS DURING THE REPORTING PERIOD

During the reporting period, the Company was not involved with any incidents of its capital being misused and settlement progress.

BANKRUPTCY AND RESTRUCTURING

During the reporting period, the Company did not engage in any events of bankruptcy and restructuring.

TRANSACTIONS OF ASSETS AND MERGERS OF ENTERPRISES

During the reporting period, the Company was not involved in any transactions of assets and mergers of enterprises.

EQUITY INCENTIVES OF THE COMPANY AND ITS IMPACT

During the reporting period, the Company was not involved in any events of equity incentives.

SIGNIFICANT CONTRACTS

Save as disclosed in the section headed “Connected Transactions” in this announcement, the Company or any of its subsidiaries had not entered into any significant contracts with controlling shareholders or any of their subsidiaries outside of the Group, and the Group did not have any significant contracts of service provision for controlling shareholders or any subsidiaries outside of the Group.

EQUITY RIGHTS HELD IN OTHER LISTED COMPANIES

During the reporting period, the Company was not involved in any events of equity rights held in other listed companies.

DEALINGS IN THE SHARES OF OTHER LISTED COMPANIES

During the reporting period, the Company was not involved in any events of dealings in the shares of other listed companies.

EXPOSURE TO RISKS OF SUSPENSION AND TERMINATION OF LISTING

During the reporting period, the Company was not involved in any circumstances which may lead to suspension or termination of listing, nor involved in any detailed arrangement and planning of investor relations management as a result of suspension or termination of listing.

SIGNIFICANT SUBSEQUENT EVENTS

From 1 January 2017 to the date of this announcement, there were no significant subsequent events.

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

CHANGES IN SHARE CAPITAL

Upon approval from the vetting department authorized by the State Council, the Company issued 4,500,000,000 shares to its promoters upon its establishment on December 29, 2010, representing 100% of the total issuable ordinary shares of the Company, among which, China Railway Signal & Communication Corporation 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 December 6, 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, China Railway Signal & Communication Corporation 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 overallotment of 39,819,000 overseas listed foreign ordinary shares), which were listed on the Main Board of 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 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 outstanding ordinary shares; and 1,968,801,000 shares were overseas-listed foreign shares held by National Council for Social Security Fund, accounting for 22.4% of the Company's total outstanding ordinary shares.

There was no change in share capital of the Company during the reporting period.

As of December 31, 2016, 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.

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

As at December 31, 2016, 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 set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, 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	Domestic shares	Beneficial owner	6,604,426,424 (Long position)	96.82	75.14
China Shipping (Group) Company ⁽¹⁾	H shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25	1.40
China Shipping (Hong Kong) Holdings Co., Limited ⁽¹⁾	H shares	Beneficial owner	123,063,000 (Long position)	6.25	1.40
Shanghai Zhenhua Heavy Industries Co., Ltd. ⁽²⁾	H shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25	1.40
Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited ⁽²⁾	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 ⁽³⁾	H shares	Beneficial owner	123,063,000 (Long position)	6.25	1.40
China Railway Engineering Corporation ⁽³⁾	H shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25	1.40
China Railway Group Limited ⁽³⁾	H shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25	1.40
China Railway International Group Co., Limited ⁽³⁾	H shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25	1.40

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

Notes:

As at 31 December 2016, 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 those shares through China Shipping (Hong Kong) Holdings Co., Limited.
2. Shanghai Zhenhua Heavy Industries Co., Ltd. was interested in those shares through Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited.
3. China Railway Engineering Corporation was interested in those 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 31 December 2016, 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.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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, from time to time, reviews and improves its internal control and corporate governance mechanism.

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. The Board is of the view that the Company has complied with all the code provisions as set out in the Corporate Governance Code for the year ended 31 December 2016.

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 year ended 31 December 2016.

BOARD

The Board currently consists of three executive Directors and four independent non-executive Directors. As at 31 December 2016, the composition of the Board was as follows:

Executive Directors

Mr. ZHOU Zhiliang (*Chairman*)

Mr. FU Jianguo (*Vice Chairman*)

Mr. YIN Gang (*President*)

Independent non-executive Directors

Mr. WANG Jiajie

Mr. SUN Patrick

Mr. CHEN Jin'en

Mr. GAO Shutang

CORPORATE GOVERNANCE REPORT

There is no relationship (including financial, business, family or other material/relevant relationship(s)) among the members of the Board, especially between the chairman and the president.

Biographies of the Directors are set out in the section headed “Directors, Supervisors and Senior Management”.

According to the requirements of Article 130 of the Articles of Association (the “Articles”) of the Company, every Director shall be elected or replaced by the shareholders’ general meeting and serve a term of three years. At the expiry of their terms, Directors may continue to serve as such if re-elected. The term of office of a Director shall commence from the date on which the resolution is passed at the shareholders’ general meeting and end upon expiry of the term of the incumbent Board. If an election is not held in a timely manner upon the expiry of the term of service of a Director, the incumbent Director shall continue to perform his or her duties as a Director in accordance with laws and the Articles until the incoming Director assumes his or her position.

A code provision of the Corporate Governance Code requires Directors to disclose to the issuer the number and nature of offices held in public companies or organisations and other significant commitments as well as the natures of such companies or organisations and the time involved in such offices, each Director has agreed to disclose their commitments to the Company in a timely manner.

Independent non-executive Directors

For the year ended 31 December 2016, the Board had complied with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has appointed a sufficient number of independent non-executive Directors in to compliance with Rule 3.10A of the Listing Rules which requires the number of independent non-executive Directors represent at least one third of the Board.

The Company has received the annual confirmation on independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the independence guidelines set out in the Listing Rules.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND PRESIDENT

The roles, duties and responsibilities of the chairman and the president of the Company are held by different individuals and are explicitly defined in writing.

Mr. ZHOU Zhiliang serves as the chairman of the Company, while Mr. YIN Gang acts as the president of the Company. The positions of chairman and president are held by different individuals to maintain independence as well as the balance of views and judgments.

According to Article 147 of the Articles, the chairman of the Board is entitled to the following powers:

- (1) to preside over general meetings and to convene and preside over Board meetings;
- (2) to supervise and check on the implementation of resolutions of the Board;
- (3) to supervise and check on the work of each special committee;
- (4) listen to the regular or non-regular work reports of the president and other senior management members of the Company and provide guidance on the execution of the resolutions of the Board;
- (5) to exercise special rights over the Company's affairs that are in line with the requirements under the laws and the interests of the Company when the chairman of the Board is unable to convene a Board meeting in time in the event of force majeure, critical crisis or situations resulting in significant effect to the production and operation of the Company and report to the Board and shareholders' general meeting afterwards;
- (6) to nominate candidates for secretary to the Board of the Company;
- (7) to sign the share certificates, corporate bonds and other securities certificates issued by the Company;
- (8) to sign the significant documents of the Board and to represent the Company in signing with third parties important documents that are legally-binding;
- (9) to organize the formulation of various rules and regulations for the operation of the Board and coordinate the Board's work;
- (10) to review and approve the plan for using funds of the Board;
- (11) to exercise the duties and powers as the legal representative;
- (12) to exercise other duties and powers provided for in laws and regulations or the Articles and those granted by the Board.

CORPORATE GOVERNANCE REPORT

According to Article 162 of the Articles, the Company shall have one president, several vice presidents and one chief accountant. According to Article 164 of the Articles, the president of the Company shall be accountable to the Board and exercise the following powers:

- (1) to lead the Company's production, operation and management, to organize the implementation of the resolution of the Board and report to the Board;
- (2) to organize the implementation of the Company's annual plan and investment plan;
- (3) to draft plans for the establishment of the Company's internal management structure;
- (4) to draft the Company's basic management system;
- (5) to formulate the specific rules and regulations of the Company;
- (6) to propose to the Board the appointment or dismissal of vice presidents and chief accountant of the Company;
- (7) to appoint or dismiss other management members of the Company other than those required to be appointed or dismissed by the Board;
- (8) to exercise other powers conferred by the Articles or the Board.

The chairman is responsible for the management of the operations of the Board, while the president is responsible for the operations of the Company. The chairman is required to keep close communication with the president and all Directors to keep them fully informed of all substantive matters relating to the Company's business development, and is also responsible for building and maintaining a highly efficient administrative support team to support him to discharge the assigned duties in this position.

TERM OF OFFICE FOR DIRECTORS

Each of the Directors has entered into a service contract with the Company. The principal particulars of these service contracts comprise, among other things, (a) the term of office of three years commencing from the date when their respective appointments are approved by the shareholders, and (b) termination provisions in accordance with their respective terms.

NOMINATION, APPOINTMENT AND REMOVAL OF DIRECTORS

The procedures and processes for appointment, re-election and removal of Directors are set out in the Articles. The Nomination Committee is responsible for reviewing the structure, number of members and composition of the Board, advising on any changes made by the Board in response to the Company's strategies, and reviewing the independence of the independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

DUTIES OF THE BOARD

According to Article 141 of the Articles, duties of the Board shall include the exercise of the following functions and powers:

- (1) to convene general meetings and to report on its work to shareholders' general meeting;
- (2) to implement the resolutions of shareholders' general meeting;
- (3) to decide on the business plans and investment plans of the Company;
- (4) to formulate the annual financial budgets and final accounts of the Company;
- (5) to formulate the profit distribution plans and plans for making up losses of the Company;
- (6) to formulate plans for the increase or reduction of the registered capital of the Company;
- (7) to formulate plans for the issuance of corporate bonds, any class of shares, warrants and other similar securities;
- (8) to formulate plans for significant acquisition by the Company, repurchase of shares of the Company or merger, division, reorganization or dissolution of the Company and changes in the corporate form of the Company;
- (9) to decide on the provision by the Company of any external guarantee other than those to be approved by shareholders' general meeting as required by Article 63 of the Articles;
- (10) to decide on significant acquisition or disposal within one year by the Company of assets not more than 30% of the latest audited total assets of the Company;
- (11) to decide on connected transactions other than those to be approved by shareholders' general meeting as required by laws and regulations and regulatory rules in the place where Shares of the Company are listed;
- (12) to decide on significant investment projects of the Company with the single amount not more than 30% of the latest audited net assets of the Company;
- (13) to decide on entrusted wealth management and asset mortgages or pledges with the accumulated amount not more than 30% of the latest audited net assets of the Company;
- (14) to decide on extra costs and expenses with the single amount not more than 10% of the latest audited net assets of the Company;
- (15) to decide on plans of external donation and sponsorship of the Company with the single amount not more than RMB5 million;
- (16) to formulate amendments to the Articles, the Rules of Procedure for General Meetings and the Rules of Procedure for the Board;
- (17) to engage or dismiss the Company's president and secretary to the Board; to engage or dismiss vice presidents and the chief accountant of the Company, as proposed by the president, and decide on matters relating to their remuneration, rewards and punishments;

CORPORATE GOVERNANCE REPORT

- (18) to decide on the establishment of the Company's internal management organization;
- (19) to decide on the establishment of special committees under the Board and to consider and approve resolutions proposed by each special committee under the Board;
- (20) to formulate the basic management systems of the Company;
- (21) to formulate development strategies, long and medium term development plans and corporate culture development plans, and to monitor the implementation of such plans;
- (22) to decide on the Company's risk management system, including risk evaluation, financial control, internal audit and legal risk control, and to monitor the implementation of such systems;
- (23) to propose to shareholders' general meeting the appointment, removal or termination of reappointment of an accounting firm;
- (24) to listen to the work reports of the Company's President and inspect the work of the President and other senior management members;
- (25) to perform duties of corporate governance and to evaluate and improve the corporate governance of the Company regularly in accordance with the regulatory rules in the place where shares of the Company are listed;
- (26) to formulate share option incentive scheme;
- (27) to manage the Company's information disclosure matters; and
- (28) other functions and powers provided in laws and regulations, regulatory rules in the place where shares of the Company are listed or specified in the Articles or granted by shareholders' general meeting.

Resolutions by the Board on the matters referred to in the preceding paragraph shall, be passed by the affirmative vote of more than one half of all of the Directors with the exception of resolutions on the matters referred to in items(6), (7), (8), (16) and (26), which shall require the affirmative vote of at least two-thirds of all of the Directors for adoption. When considering matters referred to in item (9), in addition to the affirmative vote of more than one half of all of the Directors, the affirmative vote of at least two-thirds of all the Directors present is required for adoption.

The abovementioned functions and powers of the Board as well as any transaction or arrangement of the Company shall be proposed to shareholders' general meeting for approval as prescribed by the regulatory rules in the place where shares of the Company are listed.

CORPORATE GOVERNANCE FUNCTION

The Board shall be jointly responsible for the fulfilment of the following corporate governance responsibilities:

- (1) to formulate, review and make recommendations on the corporate governance policies and practices of the Company;
- (2) to review and monitor the training and continuous professional development of Directors and senior management;

CORPORATE GOVERNANCE REPORT

- (3) to review and monitor the Company's policies and practices on compliance with laws and regulatory requirements;
- (4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (5) to review the Company's compliance with the Corporate Governance Code and disclosures made in the Corporate Governance Report of the annual report of the Company.

The Board and the Audit and Risk Management Committee have reviewed and approved the disclosures made in the Corporate Governance Report. The Board has also reviewed the Company's compliance with the corporate governance policies, practices, laws and regulatory requirements, and monitored and organised the training courses designed for Directors and senior management.

DIRECTORS' TRAINING

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Company provides information and professional developing opportunities to Directors on an on-going basis. Each Director also learns and understands on an on-going basis the updates of relevant statutory and regulatory regime and the business environment as provided to them. They also participate in the courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or via online resources or reading relevant materials.

According to the record provided by the Directors, the summary of training received by the Directors for the year ended 31 December 2016 is set out as follows:

Name	Position	Training topic
Mr. ZHOU Zhiliang	Executive Director	Industry policy direction and business management, laws and regulations and the Listing Rules
Mr. FU Jianguo	Executive Director	Industry policy direction and business management, laws and regulations and the Listing Rules
Mr. YIN Gang	Executive Director	Industry policy direction and business management
Mr. WANG Jiajie	Independent non-executive Director	Industry policy direction and business management
Mr. SUN Patrick	Independent non-executive Director	Industry policy direction and business management, laws and regulations and the Listing Rules
Mr. CHEN Jin'en	Independent non-executive Director	Industry policy direction and business management
Mr. GAO Shutang	Independent non-executive Director	Industry policy direction and business management

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

Board meetings include regular meetings and extraordinary meetings of the Board. The Company shall deliver a written meeting notice to all of the Directors and Supervisors of the Company by hand, mail, fax or other means permitted by the regulatory rules in the place where shares of the Company are listed 14 days prior to the date of a regular meeting or 5 days prior to an extraordinary meeting. If service is made indirectly, confirmation shall additionally be made by telephone and the appropriate record thereof shall be made.

In the event of emergencies where an extraordinary Board meeting needs to be convened as soon as possible, such notice may be served via telephone or by other verbal means, provided that an explanation shall be made at the meeting by the convener and the same is entered into the meeting minutes.

According to Article 156 of the Articles, if any Director has connection with or significant interest in the enterprise involved in the resolution made at a Board meeting, the said Director shall not vote on the said resolution for himself or on behalf of other Director. The aforesaid Board meeting may be held when more than half of the Directors without connection or significant interest attend the meeting. The resolution of the said Board meeting shall be passed by more than half of the unrelated or non-interested Directors. If the number of unrelated or non-interested Directors attending the meetings is less than three, the matter shall be submitted to shareholders' general meeting for consideration.

Agenda of the Board meeting together with all appropriate, complete and reliable information are sent to all Directors and/or members of the respective Board Committee at least three days before each Board meeting or Board Committee meeting to keep the Directors and/or members of the respective Board Committee apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

Draft minutes are circulated to the Directors for review within a reasonable time after each meeting and final versions are open for Directors' inspection.

CORPORATE GOVERNANCE REPORT

Directors' Attendance at Meetings

For the year ended 31 December 2016, the Board held a total of seven meetings to address various matters including the review and approval of items including interim results and financial statements for the six months ended 30 June 2016, distribution of profits, overall budget, material investments, appointment and removal of Directors and senior management.

For the year ended 31 December 2016, the Directors' attendance records of the Board meetings and shareholders' general meetings are set out as follows:

Name of Director	Number of Board meetings attended/Number of Board meetings held during their respective tenures	Number of shareholders' general meetings attended/Number of shareholders' general meetings held during their respective tenures
Mr. ZHOU Zhiliang	7/7	2/2
Ms. LI Yanqing (resigned on 20 July, 2016)	3/3	1/1
Mr. FU Jianguo (appointed on 6 September 2016)	2/2	1/1
Mr. YIN Gang	6/7	1/2
Mr. WANG Jiajie	7/7	2/2
Mr. SUN Patrick	6/7	1/2
Mr. CHEN Jin'en	6/7	2/2
Mr. GAO Shutang	7/7	2/2

Delegation by the Board

The duties and power of the Board and the management have been defined in the Articles. The Board undertakes responsibility for decision making in major Company matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

CORPORATE GOVERNANCE REPORT

In strict accordance with the Articles and the authorization of the General Meeting, the Board takes and fulfills its decision-making responsibilities seriously, supervises management's implementation of the resolutions of the Board to ensure their effective implementation, and implements the resolutions of shareholders' general meeting and reports the work to shareholders' general meetings.

The day-to-day management, administration and operation of the Company are delegated to the president and the senior management.

BOARD COMMITTEES

The Board has delegated certain of its duties to various committees. In accordance with the relevant PRC laws and regulations and the corporate governance practice prescribed in the Hong Kong Listing Rules and the Articles, the Company has established five Board committees, namely the Strategy and Investment Committee, the Nomination Committee, the Remuneration and Evaluation Committee, the Audit and Risk Management Committee and the Quality and Safety Committee.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference. The Nomination Committee of the Company currently consists of 3 Directors, namely Mr. CHEN Jin'en, an independent non-executive Director, Mr. Fu Jianguo, an executive Director, and Mr. WANG Jiajie, an independent non-executive Director. Mr. CHEN Jin'en, an independent non-executive Director, currently serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, but are not limited to, the following:

- (1) reviewing the structure, number of members and composition of the Board, and advising on any changes made by the Board in response to the Company's strategies;
- (2) studying and advising on the standards, procedures and methods for the election of Directors, president and other senior management members;
- (3) evaluating the eligibility of candidates for Directors and senior management members, reporting to the Board its opinions and advising on the relevant appointment to the Board;
- (4) searching for qualified candidates for Directors and senior management members;
- (5) reviewing the independence of the independent non-executive Directors;
- (6) advising to the Board on the appointment or re-appointment of Directors and senior management, as well as the succession plan for Directors and senior management (especially Chairman and President);
- (7) reporting its decisions or opinions to the Board, unless otherwise restricted by laws or regulations; and
- (8) other duties authorized by the Board.

CORPORATE GOVERNANCE REPORT

During the reporting period, the Nomination Committee held two meetings, with Directors' attendance records set out as follows:

Name of Director	Number of meetings attended/ Number of meetings held
Mr. CHEN Jin'en	2/2
Ms. LI Yanqing (resigned on 20 July, 2016)	1/1
Mr. FU Jianguo (appointed on 6 September 2016)	0/0
Mr. WANG Jiajie	2/2

For the year ended 31 December 2016, the Nomination Committee had reviewed the nomination proposals of Directors and senior management, and discussed and evaluated on the numbers and composition of the structure of the second session of the Board, the selection of Directors and senior management and the independence of independent non-executive directors.

When nominating the candidate of the Director, the Nomination Committee is based on the established method and procedure of the Articles and the rules of procedures of the Nomination Committee while taking account and takes account into the qualification, ability and experience of the candidate. The Nomination Committee has also considered the resolution in relation to nominate Mr. FU Jianguo as an executive Director candidate of the Company. When selecting the Director, the Company would take into account the occupation, education, title, detailed working experience and all of part time occupation. All the members of the Board of Directors are appointed based on meritocratic principles and finally decided by considering their strengths and contributions they can make to the Board of Directors.

Diversity Policy of Board Members

The Company believes that a diversified Board is highly beneficial to the performance of the Company, therefore the Nomination Committee has formulated the "Diversity Policy of Board Members" in relation to the nomination and appointment of new Directors. It states that the Nomination Committee can consider board diversity from various aspects, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and years of service. After taking into account the above relevant factors, the Nomination Committee can submit final nomination recommendations to the Board based on the candidates' advantages and potential contributions to the Board. The composition details of the Board (including the gender, age and years of service) will be disclosed in the annual reports every year.

The Nomination Committee will consider and adopt the above criteria when considering the composition of the Board. After evaluating the capabilities and experiences of every director and their suitability to the business of the Company, the Nomination Committee considers that the existing structure of the Board during the reporting period is reasonable and is in line with the requirements of the "Diversity Policy of Board Members", therefore no adjustments are needed.

CORPORATE GOVERNANCE REPORT

Remuneration and Evaluation Committee

The Company has established the Remuneration and Evaluation Committee with written terms of reference. The Remuneration and Evaluation Committee of the Company consists of 3 independent non-executive Directors, namely Mr. GAO Shutang, Mr. SUN Patrick and Mr. CHEN Jin'en. Mr. GAO Shutang currently serves as the chairman of the Remuneration and Evaluation Committee. The primary duties of the Remuneration and Evaluation Committee include, but are not limited to, the following:

- (1) advising to the Board on the overall remuneration policy and framework for Directors and senior management members, and on the establishment of standardized and transparent remuneration policy formulation procedures;
- (2) studying assessment criteria, performance evaluation procedures, remuneration and rewards and punishment policies for Directors and senior management members and submitting it to the Board for approval;
- (3) reviewing the performance of duties by and conducting performance appraisal and evaluation over Directors and senior management members;
- (4) reviewing and approving proposals on senior management's remuneration in accordance with the Company's guidelines and targets approved by the Board of Directors;
- (5) formulating and advising to the Board the remuneration packages for Directors and senior management members;
- (6) reviewing and approving the compensation for the loss or termination of the office or appointment of the executive Directors and senior management members;
- (7) reviewing and approving the compensation arrangements with regard to the dismissal or removal of Directors due to their misconduct;
- (8) ensuring any Director or their associates not to determine by themselves, or be involved in determining, their remuneration;
- (9) supervising the implementation of the Company's remuneration policies;
- (10) studying and advising to the Company's equity incentive proposal;
- (11) reporting to the Board on their decisions or recommendations, unless as restricted by laws or regulations; and
- (12) other duties authorized by the Board.

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For the year ended 31 December 2016, the Remuneration and Evaluation Committee held two meetings, with Directors' attendance records set out as follows:

Name of Director	Number of meetings attended/ Number of meetings held
Mr. GAO Shutang	2/2
Mr. SUN Patrick	2/2
Mr. CHEN Jin'en	2/2

For the year ended 31 December 2016, the Remuneration and Evaluation Committee had considered the remuneration policy of the Company and the 2015 remuneration payment proposal of the Company's deputy general managers.

Remuneration of Directors and Senior Management

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

The Company has established formal and transparent procedures for formulating policies on remuneration of senior management of the Group.

The biographies of the senior management are disclosed in the section headed "Directors, Supervisors and Senior Management" in this announcement. Remuneration paid to the senior management (excluding the Directors) by band during the reporting period is set out below:

Remuneration band	Number of individuals
RMB500,000 to RMB800,000	3
RMB800,000 to RMB1,100,000	1

CORPORATE GOVERNANCE REPORT

Audit and Risk Management Committee

The Company has established the Audit and Risk Management Committee with written terms of reference. The Audit and Risk Management Committee of the Company currently consists of 3 independent non-executive Directors, namely Mr. SUN Patrick, Mr. WANG Jiajie and Mr. GAO Shutang. Mr. SUN Patrick currently serves as the chairman of the Audit and Risk Management Committee. The primary duties of the Audit and Risk Management Committee include, but are not limited to, the following:

- (1) advising to the Board on the appointment, renewal, change or dismissal of external auditors, approving and reviewing audit fees and appointment terms of external auditors, handling any issues related to the resignation or dismissal of external auditors, taking appropriate measures to supervise the work of external auditors and reviewing the report of external auditors;
- (2) reviewing and supervising the independence and objectivity of the external auditors and the effectiveness of the audit procedures, and discussing issues related to the nature, category and reporting responsibility of auditing with external auditors before the auditing work starts according to applicable standards;
- (3) formulating and implementing policies of non-audit services provided by external auditors, reporting and advising to the Board the actions they deem necessary and matters to be improved;
- (4) reviewing and supervising the completeness of the Company's financial statements, annual reports and accounts, interim reports and quarterly reports (if any), and reviewing the important opinions on the financial reporting recorded in the financial statements and financial reports;
- (5) reviewing the Company's financial control, internal control and risk management system and monitoring the implementation of such system on an on-going basis, and ensuring that the effectiveness of the Group's risk management and internal control system is reviewed at least once a year;
- (6) reviewing the compliance of the Company with the applicable corporate governance code and the disclosure of corporate governance report as required by the regulatory rules at the place where the Shares are listed;
- (7) discussing on the risk management and internal control system with the management of the Company to ensure the establishment of an effective internal control system, supervising the effective implementation of internal control and the self-assessment of internal control, and coordinating internal control audit and other related matters;

CORPORATE GOVERNANCE REPORT

- (8) ensuring co-ordination between the internal and external auditors, ensuring that the internal audit department is adequately resourced and has appropriate standing within the Company, and reviewing and supervising the effectiveness of the internal audit department;
- (9) examining the Company's financial and accounting policies and practices;
- (10) reviewing the Explanatory Letter of Review Matters issued by the external auditor to the Company's management, any material queries raised by the external auditor to management about accounting records, financial accounts or internal control system and management's response;
- (11) confirming the list of the Company's related/connected parties and reporting to the Board and the Supervisory Committee; conducting a preliminary review of the related/connected transactions to be submitted to the Board for consideration; and reviewing the reasonableness and necessity of major related transactions;
- (12) reporting to the Board annual report on the Company's overall risk management, and reviewing the risk management strategies and material risks of the Company, and managing resolution proposals;
- (13) reviewing internal control valuation report reported by the internal audit department;
- (14) supervising and controlling the risks that the Company is affected by the overseas sanction laws to ensure a timely, complete and accurate disclosure of information related to transactions subject to sanctions in accordance with such laws; and
- (15) other duties authorized by the Board.

For the year ended 31 December 2016, the Audit and Risk Management Committee held three meetings, with Directors' attendance records set out as follows:

Name of Director	Number of meetings attended/ Number of meetings held
Mr. SUN Patrick	3/3
Mr. WANG Jiajie	3/3
Mr. GAO Shutang	3/3

The Audit and Risk Management Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2016. The Audit and Risk Management Committee has also discussed the accounting policies and practices adopted by the Company, internal control and financial reporting matters with the senior management of the Company, and has reviewed the effectiveness of the accounting policies and practices adopted by the Company, the risk management and internal control system, and the internal audit function of the Group as well as the proposal in relation to the reappointment of the 2016 domestic and overseas audit firms and their remuneration, 2016 audit result report, and the report in relation to the 2016 audit plan. In addition, the Audit and Risk Management Committee has had three meetings with external auditors.

CORPORATE GOVERNANCE REPORT

The Audit and Risk Management Committee has also reviewed the report in relation to the management of internal control of the Company and the report in relation to the 2016 work of audit department. The Audit and Risk Management Committee has reviewed the internal audit of the Company and believed that it is still effective.

Strategy and Investment Committee

The Company has established the Strategy and Investment Committee with written terms of reference. The Strategy and Investment Committee of the Company currently consists of 5 Directors, including 2 executive Directors, namely Mr. ZHOU Zhiliang and Mr. Fu Jianguo; and 3 independent non-executive Directors, namely Mr. GAO Shutang, Mr. CHEN Jin'en and Mr. WANG Jiajie. Mr. ZHOU Zhiliang, an executive Director, currently serves as the chairman of the Strategy and Investment Committee. The primary duties of the Strategy and Investment Committee include, but are not limited to, the following:

- (1) establishing the basic framework for the Company's strategy-making procedures, studying and advising on the Company's medium and long-term strategic development plan;
- (2) studying and advising on major financing and investment plans which, according to the Articles, should be approved by the Board or at a shareholders' general meeting;
- (3) auditing and advising on the Company's annual business plan;
- (4) conducting study and advising on major capital operation and asset management project which are required to be approved by the Board or at a shareholders' general meeting according to the Articles;
- (5) studying and advising on the plans for corporate reorganization, mergers and acquisitions, equity transfer, restructuring, organizational restructuring which, according to our Articles, should be approved by the Board or at a shareholders' general meeting, and making suggestions;
- (6) studying and advising on other major events which may have influence in the Company's development;
- (7) supervising the implementation of the above matters; and
- (8) other duties authorized by the Board.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2016, the Strategy and Investment Committee held one meeting, with Directors' attendance records set out as follows:

Name of Director	Number of meetings attended/ Number of meetings held
Mr. ZHOU Zhiliang	1/1
Ms. LI Yanqing (resigned on 20 July, 2016)	1/1
Mr. FU Jianguo (appointed on 6 September 2016)	0/0
Mr. GAO Shutang	1/1
Mr. CHEN Jin'en	1/1
Mr. WANG Jiajie	1/1

For the year ended 31 December 2016, the Strategy and Investment Committee had reviewed the development strategy and planning of the Company for the 13th Five-Year Plan.

Quality and Safety Committee

The Company has established the Quality and Safety Committee with written terms of reference. The Quality and Safety Committee of the Company currently consists of 3 Directors, including 2 executive Directors, namely Mr. YIN Gang and Mr. Fu Jianguo; and Mr. GAO Shutang, an independent non-executive Director. Mr. YIN Gang currently serves as the chairman of the Quality and Safety Committee. The primary duties of the Quality and Safety Committee include, but are not limited to, the following:

- (1) studying and advising to the Board on the Company's quality and safety management plan;
- (2) studying and advising to the Board on the annual quality and safety guidelines and objectives;
- (3) studying the targets and measures for the construction of long-term quality and safety mechanism;
- (4) supervising the establishment, implementation and maintenance of the Company's integrated management system of quality, environment and occupational health and safety, supervising and guiding the establishment and operation of the safety guarantee system;
- (5) supervising and guiding the Company's control of major hazard sources, and organizing the formulation of emergency management plan for production safety;
- (6) evaluating the severe quality and safety accidents, failures and quality issues, and providing guidance to handling the related issues; and
- (7) other duties authorized by the Board.

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For the year ended 31 December 2016, the Quality and Safety Committee held one meeting, with Directors' attendance records set out as follows:

Name of Director	Number of meetings attended/ Number of meetings held
Mr. YIN Gang	1/1
Mr. Fu Jianguo	1/1
Mr. GAO Shutang	1/1

For the year ended 31 December 2016, the Quality and Safety Committee had reviewed the condition of safety and quality works in 2016 of the Company and the report of key safety and quality works arrangement in 2017, and reviewed the quality and safety development plan of the Company for the 13th Five-Year Plan.

SUPERVISORY COMMITTEE

The Supervisory Committee of the Company consists of 3 members, namely Ms. TIAN Liyan, Mr. GAO Fan and Ms. ZHAO Xiumei. Ms. TIAN Liyan currently serves as the chairwoman. The Supervisory Committee is made up of representatives of the shareholders and an appropriate proportion of representatives of the Company's staff. The actual proportion shall be stipulated in the Articles, provided that the proportion of representatives of the Company's staff shall not be less than one-third. Representatives of the Company's staff at the Supervisory Committee shall be democratically elected by the Company's staff at the staff representative assembly, general staff meeting or otherwise.

Each term of office of a Supervisor is 3 years and he or she may serve consecutive terms if re-elected. A Supervisor shall continue to perform his or her duties in accordance with the laws, administrative regulations and the Company's Articles until a duly re-elected Supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of Supervisors results in the number of Supervisors being less than the quorum.

CORPORATE GOVERNANCE REPORT

The Supervisory Committee shall be accountable to shareholders' general meeting and may exercise the following powers:

- (1) to review the Company's financial position;
- (2) to supervise the Directors, president and other members of senior management in their performance of their duties of the Company and to propose the removal of Directors and the senior management who have violated laws, regulations, the Articles of the Company or resolutions of shareholders' general meeting;
- (3) when the acts of a Director, president or any other member of senior management is detrimental to the Company's interests, to require him/her to correct such acts;
- (4) to propose the convening of extraordinary general meetings and to convene and preside over shareholders' general meetings when the Board fails to perform the duty of convening and presiding over shareholders' general meeting according to laws;
- (5) to put forward proposals to shareholders' general meetings;
- (6) to review and issue written review comments on the periodical reports prepared by the Board;
- (7) to initiate proceedings against Directors and the senior management in accordance with the requirements of applicable laws;
- (8) to initiate investigations into any irregularities identified in the operation of the Company and, where necessary, to engage professional institutions, such as an accounting firm and a law firm, to assist their work; and
- (9) other duties authorized by the Articles or shareholders' general meeting.

For the year ended 31 December 2016, the Supervisory Committee held one meeting, with Supervisors' attendance records set out as follows:

Name of Supervisor	Number of meetings attended/ Number of meetings held
Ms. TIAN Liyan	1/1
Mr. GAO Fan	1/1
Ms. ZHAO Xiumei	1/1

During the reporting period, Supervisors had during the year monitored directors and manager's performance of functions and lawful operation of the Company, reviewed periodical reports of the Company prepared by the Board, reviewed the financial statements of the Company and conducted daily supervision and pay close attention to possible risks that may occur during the Company's operation.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2016 of the Company. The Directors consider that the Group has adequate resources to continue in business for the foreseeable future and are not aware of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's consolidated financial statements which are put to the Board for approval.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

1. Risk Management and Internal Control Management Responsibilities

The Board of Directors of the Company is responsible for determining the overall risk management objectives, risk tolerance, major risk management solutions and internal control construction implementation plans of the Company and is accountable to the General Meeting for the effectiveness of overall risk management and internal control. The management of the Company is responsible for organizing and establishing the Company's overall risk management and internal control system. The legal compliance department of the Company is responsible for the construction and overall operation of the overall risk management and internal control system as well as the organization, coordination and centralized management of overall risk management and internal control. The Audit Department of the Company is responsible for evaluating the effectiveness of overall risk management and internal control, conducts internal control audits and supervision. Such risk management and internal control management are designed to manage rather than eliminating the risk of failure to meet business objectives and to only provide a reasonable, but not absolute, assurance that there will be no material misrepresentations or losses.

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2. Risk Management and Internal Control Management Systems and Procedures

The Company has formulated the “Measures for the Administration of Overall Risk Management and Internal Control of Joint Stock Companies” and the “Measures for the Administration of Risk Evaluation of Joint Stock Companies”. In accordance with the regulations, the legal compliance department of the Company conducts a comprehensive risk evaluation on the whole system of the Company at the beginning of each year to examine the effectiveness of overall risk management and control in the previous year and identify the major risks that will be faced in the next year and the countermeasures taken by it. The audit department of the Company conducts an internal control assessment at the beginning of each year to assess the effectiveness of internal control of the whole system, identify any internal control defects and implement the rectification of internal control defects. The legal compliance department and audit department of the Company report to the Audit and Risk Management Committee of the Board of Directors on risk management and internal control, including but not limited to the effectiveness and defects of internal control of the Company, overall risk evaluation results and management and control measures.

3. Non-compliance Report Policy and Procedure

The discipline inspection and supervision department of the Company is responsible for accepting reports on corrupt practices of internal staff of the Company, the violation of the Company’s rules and regulations, the dereliction of duty or malfeasance, and carries out investigation and handling in accordance with the “Interim Provisions on Handling the Violation of Discipline and Non-compliance by Staff of Joint Stock Companies”. Employees, customers, suppliers and other stakeholders of the Company can obtain the report telephone number from the official website of CRSC. In accordance with the “Implementation Measures for Handling Complaints about Tender and Bidding of Joint Stock Companies”, it takes the lead in forming an investigation team to conduct investigations into complaints about the tender and bidding of equipment and materials of CRSC and their handling, and makes decisions on handling and gives replies, etc. according to law pursuant to permissions.

4. Key Business Risks and Internal Control

In accordance with the requirements of the “Guidelines for Overall Risk Management of Central Enterprises” of SASAC, the Company implements risk management in the operation of all its businesses and effectively manages and controls its business activities through the internal control system and the internal control process. In accordance with the “Measures for the Administration of Rules and Regulations of Joint Stock Companies”, the legal compliance department of the Company is responsible for the construction and improvement of the internal control system and evaluates and improves the effectiveness, operability and system coordination of the Company’s internal rules and regulations each year. In accordance with the “Interim Measures for Investment Management of Joint Stock Companies”, the “Interim Measures for Investment Management of Capital Operation Projects of Joint Stock Companies” and other regulations, the relevant business departments of the Company conduct special risk evaluations on important management activities such as investment and generate special risk evaluation reports as an important basis for decision making.

CORPORATE GOVERNANCE REPORT

5. Overall Situation of Risk Management and Internal Control for 2016

In 2016, the legal compliance department and the audit department of the Company organized all functional departments and enterprises of all levels to conduct comprehensive risk evaluations, internal control assessments and rationalize and continue to improve the internal control system at the beginning of the year in accordance with the regulations and the requirements of the Board of Directors and management of the Company and organized special risk evaluations on and took countermeasures against each major project in order to improve the Company's overall risk management and internal control management system and ensure that the Company's risks are controllable, the internal control system and procedure continue to be effective and internal control measures are effectively implemented. For the year ended 31 December 2016, the Board of Directors has reviewed the Company's risk management and internal control system through the legal compliance department and the audit department and considers that the system is still effective and sufficient.

HANDLING AND RELEASING INSIDER INFORMATION

In accordance with the Company's information disclosure management regulation, the Company has defined the scope of inside information and relevant staff, has established a sensitive information submission and release approval mechanism and reviews the content of the list on a regular basis so as to quickly identify and promptly report any material which may constitute insider information. When receiving any material which may constitute inside information, the information disclosure management department will immediately evaluate the information and monitor the information before the release of the information to ensure that only a small number of those who need to know the information receive such information and ensure that these persons are well aware of their confidentiality responsibility. If such material is judged to be insider information, the information disclosure management department will coordinate the release of inside information as soon as possible through the electronic publication system operated by the Stock Exchange.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

For the year ended 31 December 2016, the remuneration paid/payable to the Company's independent auditors, Ernst & Young and Ernst & Young Hua Ming LLP, is set out below:

	Amount (RMB)
Interim review	1,300,000
Annual audit	5,300,000
Non-audit service	1,098,000
Total fees	7,698,000

Non-audit services mainly include provision of tax advisory service as well as environment, social and governance report advisory service to the Company.

CORPORATE GOVERNANCE REPORT

AMENDMENTS TO THE ARTICLES

On 24 May 2016, the Company passed a resolution to approve and adopt the new Articles, the amendments made primarily include adding articles to specify the establishment of party organization, allocation of personnel handling party affairs, party member organization and the Board's relation with the management of the Company. The updated Articles have been published on the website of the Stock Exchange. Save for the above, the Company did not make any significant changes to the Articles in the year ended 31 December 2016.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, the Company will propose a separate resolution for each substantially separate issue at shareholders' general meetings, including the election of individual Directors.

All resolutions put forward at shareholders' general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholders' general meeting.

Shareholders who intend to put forward their enquiries to the Board could send their enquiries to the Company's headquarters in the PRC at CRSC Building, 1 Compound Automobile Museum Nansihuan South Road, Fengtai District, Beijing, PRC or by email to ir@crsc.cn, or by fax at +86-10-51846610. H Shareholders may contact Computershare Hong Kong Investor Services Limited, the Hong Kong Share Registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

CONVENING OF EXTRAORDINARY GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

According to Article 71 of the Articles, where shareholders request to hold an extraordinary general meeting or class meeting, the following procedures shall be followed:

- (1) shareholders who individually or jointly hold 10% or more of the voting shares at the proposed meeting may make a proposal to the Board on holding an extraordinary general meeting or class meeting by signing one or several written requests with same contents in the same format and define the meeting agenda. The above shareholders shall guarantee that the contents of the proposal shall be in compliance with the laws, regulations and the Articles. The Board shall convene such meeting as soon as possible upon receipt of the aforesaid written request. The aforesaid number of shares shall be calculated as of the close of the date or, if it falls on a non-trading date, the prior trading date on which such shareholders request to convene the meeting in writing; and
- (2) If the Board is unable to or fails to perform its duty of convening a shareholders' general meeting or class meetings, the Supervisory Committee shall convene and preside over such meeting in a timely manner; if the Supervisory Committee cannot convene and preside over such meeting, shareholders who individually or jointly hold 10% of the shares for more than 90 consecutive days may independently convene and preside over such meeting.

CORPORATE GOVERNANCE REPORT

PUTTING FORWARD PROPOSES AT SHAREHOLDERS' GENERAL MEETING

According to Article 77 of the Articles, in the event the Company convenes a shareholders' general meeting, the Board, the Supervisory Committee or shareholders individually or jointly holding an aggregate of 3% or more of the Company's shares with voting rights are entitled to submit proposals in writing to the Company. Shareholders individually or jointly holding 3% or more of the Company's shares may submit ad hoc proposals to the convener of a shareholders' general meeting in writing ten days prior to the shareholders' general meeting. The convener shall issue a supplementary notice of the shareholders' general meeting and announce the content of such ad hoc proposals within two days after receipt thereof. Except as provided in the preceding paragraph, the convener of a shareholders' general meeting shall not amend the proposals set out in the notice of the shareholders' general meeting or add any new proposals subsequent to the issue of the notice of the shareholders' general meeting. The shareholders' general meeting shall not carry out the voting and adopt resolutions on the proposals that are not stated in the notice of the shareholders' general meeting or fail to meet the requirements under Article 75 of the Articles.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers effective communication with shareholders as essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions. Shareholders' general meetings of the Company provide a forum for face-to-face communication between the Board and the shareholders dialogue. The chairman of the Board as well as chairmen of the Nomination Committee, the Remuneration and Evaluation Committee and the Audit and Risk Management Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at shareholders' general meetings.

For the year ended 31 December 2016, the Company held a total of two shareholders' general meetings to address various matters including the consideration and approval of report of the Board for 2015, report of the Supervisory Committee for 2015, final financial accounts for 2015, audited financial statements for 2015, profit distribution plan for 2015, remuneration plan for independent Directors for 2016, re-appointment of international auditor and domestic auditor, amendments to the Articles, general authorizations for the issuance of onshore and offshore debt financing instruments and the issuance of shares and appointment of Mr. Fu Jianguo as an executive Director.

To promote effective communication, the Company maintains its website and posts updates on the Company's business operations and developments, financial information, corporate governance practices and other information for public access.

JOINT COMPANY SECRETARIES

The Company engages Ms. NG Wing Shan, the vice president of SW Corporate Services Group Limited, as one of the joint company secretaries of the Company. Her primary contact person of the Company is Mr. HU Shaofeng, being the other joint company secretary of the Company. Ms. Ng and Mr. Hu undertook no less than 15 hours of relevant professional training during the year ended 31 December 2016.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the date of this announcement, the Directors, Supervisors and senior management of the Company are as follows:

Directors

Name	Age	Present Title	Roles and Responsibilities
ZHOU Zhiliang (周志亮)	52	Executive Director, Chairman	Overseeing the overall work of the Board, and formulating the Company's strategies
FU Jianguo (傅建國)	53	Executive Director, Vice Chairman	Assisting with the work of our chairman, and supervising the implementation of the Board resolutions
YIN Gang (尹剛)	54	Executive Director, President	Overseeing the management of the Company's daily production and operations
WANG Jiajie (王嘉傑)	66	Independent Non- executive Director	Providing advices with regard to the corporate governance, connected transactions, the Company's business strategies, the nomination of the Directors and senior management of our Company, and auditing and risk management
SUN Patrick (辛定華)	58	Independent Non- executive Director	Providing advices with regard to the corporate governance, connected transactions, remuneration of Directors and senior management of our Company, and auditing and risk management
CHEN Jin'en (陳津恩)	62	Independent Non- executive Director	Providing advices with regard to the corporate governance, connected transactions, the Company's business strategies, nomination and remuneration of Directors and senior management of our Company
GAO Shutang (高樹堂)	67	Independent Non- executive Director	Providing advices with regard to the corporate governance, connected transactions, the Company's business strategies, remuneration of Directors and senior management, auditing and risk management, and production safety and product quality management

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Supervisors

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

Senior Management

Name	Age	Present Title	Roles and Responsibilities
YIN Gang (尹剛)	54	President, Executive Director	Overseeing the management of the Company's daily production and operations
KONG Ning (孔寧)	52	Vice President	Assisting the president in daily production and operation
HU Shaofeng (胡少峰)	49	Chief Accountant, Board Secretary	In charge of the Company's financial work, in charge of information disclosure, investor relationship coordination, and preparation of shareholders' general meetings and Board meetings
CHEN Hong (陳紅)	54	Vice President	Assisting the president in daily production and operation
HUANG Weizhong (黃衛中)	51	Vice President	Assisting the president in daily production and operation

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Mr. ZHOU Zhiliang, aged 52, has been the Company's chairman since January 2012, and is mainly responsible for overseeing the overall work of the Board and formulating the Company's strategies. Mr. Zhou has been the general manager of CRSC Corporation Group since January 2012. Mr. Zhou was a vice president of CRCC (listed on the Stock Exchange, stock code: 1186; listed on the Shanghai Stock Exchange, stock code: 601186) from October 2007 to January 2012, during which Mr. Zhou served as 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 chairman of Labor Union of China Railway No.4 Survey & Design Group Co., Ltd. From November 1996 to January 2000, Mr. Zhou served as 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. FU Jianguo, aged 53, has been the Company's vice chairman since September 2016, and is mainly responsible for assisting with the work of our chairman, and supervising the implementation of Board resolutions. He has been a standing member of the Party Committee of CRRC Group, and an executive director and a standing member of the Party Committee of CRRC Corporation Limited (a company listed on the Stock Exchange (stock code:1766)) since May 2015. Mr. Fu served as the deputy head of Tangshan Locomotives & Rolling Stock Works (唐山機車車輛廠), head and deputy Party secretary of CSR Shijiazhuang Rolling Stock Works and deputy general manager and a standing member of the Party committee of CSR Group. He served as a vice president and a standing member of the Party Committee of CSR Corporation Limited (Note) from December 2007 to June 2014, and an executive director and a standing member of the Party Committee of CSR Corporation Limited from June 2014 to May 2015. Mr. Fu graduated from China Europe International Business School in May 1998 with a master's degree in business administration. Mr. Fu Jianguo is a professor-level senior engineer, and possesses the senior professional manager qualification awarded by China Enterprise Confederation and China Enterprise Directors Association.

Note: In June 2015, CSR Corporation Limited merged with China CNR Corporation Limited to form CRRC Corporation Limited.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. YIN Gang, aged 54, 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 December 2010 to May 2015, Mr. Yin was a vice president of the Company, during which, Mr. Yin served as the chairman of CRSCD from January 2012 to November 2012 and as Board secretary of our Company from April 2011 to May 2013. 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 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.

Independent Non-executive Directors

Mr. WANG Jiajie, aged 66, has been appointed as the Company's independent non-executive Director since May 2015, and is mainly responsible for providing advice with regard to corporate governance, connected transactions, the Company's business strategies, nomination of the Directors and senior management of the Company and auditing and risk management. Mr. Wang is currently the arbitrator of China International Economic and Trade Arbitration Commission and the arbitrator of Beijing Arbitration Commission. Before joining our Company, Mr. Wang served in several positions in China General Technology (Group) Holding Co., Ltd. (中國通用技術(集團)控股有限責任公司), including serving as its general counsel from December 2004 to December 2010 and as the general manager of its legal department from July 1999 to December 2004. Mr. Wang also served in several positions in China National Technical Imp. & Exp. Corp. (中國技術進出口總公司), including serving as the general manager of its legal department from November 1998 to July 1999; 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. SUN Patrick, aged 58, has been appointed as the Company's independent non-executive Director since May 2015. Mr. Sun currently serves as independent non-executive directors 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 the 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 China Railway Construction Corporation Limited (中國鐵建股份有限公司). Mr. Sun is the vice chairman of the Chamber of Hong Kong Listed Companies and formerly served as the honorary secretary general of the Chamber (2013-2015).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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 China Railway Group Limited (中國中鐵股份有限公司) (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), 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, 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 has been a fellow of the Association of Chartered Certified Accountants, United Kingdom, and a fellow of the Hong Kong Institute of Certified Public Accountants.

Mr. CHEN Jin'en, aged 62, has been appointed as an independent non-executive Director since May 2015, and is mainly responsible for providing advice with regard to corporate governance, connected transactions, the Company's business strategies, nomination and remuneration of the Directors and senior management of the Company. Before joining our Company, from March 2010 to August 2013, Mr. Chen was the vice chairman of China Energy Conservation and Environmental Protection Group (中國節能環保集團公司). Mr. Chen also served as a non-executive director of Billion Industrial Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 2299) from September 2012 to March 2013. Mr. Chen also served several positions in China Energy Conservation Investment Co., Ltd. (中國節能投資公司), including serving as its deputy general manager from October 2004 to March 2010, its vice chairman from September 2001 to October 2004. From November 2000 to September 2001, Mr. Chen was 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. GAO Shutang, aged 67, has been appointed as an independent non-executive Director since May 2015, and is mainly responsible for providing advice with regard to corporate governance, connected transactions, the Company's business strategies, remuneration of Directors and senior management, auditing and risk management, and product quality and production safety management. Before joining in our Company, Mr. Gao served as a director of China Railway Engineering Corporation (中國鐵路工程總公司) from September 2006 to September 2007 and as chairman of the supervisory committee of China Railway Group Limited (中國中鐵股份有限公司) (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 the board of directors of China Railway Group Limited the Fifth Bureau Group (中鐵五局集團) 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 43, has been appointed as the chairwoman of the Supervisory Committee of our Company since May 2015, and is mainly responsible for overall work of the Supervisory Committee, organizing and supervising the management and the Board of Directors and making relevant suggestions. Ms. Tian has served several positions in CRSCD, including serving as its general counsel from August 2013 to July 2015, as one of its directors from February 2012 to July 2015 and as its chief accountant from February 2007 to July 2015. Ms. Tian has also been a director of Thales Transport Automation Control Systems (Beijing) Co., Ltd. (北京泰雷茲交通自動化控制系統有限公司) from October 2013 to July 2015. From June 2012 to October 2013, Ms. Tian was a supervisor of Thales Transport Automation Control Systems (Beijing) Co., Ltd. From November 2005 to February 2007, Ms. Tian was the deputy chief accountant and head of the asset and finance department of the CRSCD; from October 2005 to November 2005, Ms. Tian was an accountant and deputy head of the asset and finance department of CRSCD; from July 1999 to October 2005, Ms. Tian was also a manager of the audit department of Deloitte Touche Tohmatsu CPA Ltd. (Beijing Branch).

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. GAO Fan, aged 41, has been appointed as a Supervisor since May 2015, and is mainly responsible for supervising operations and financial activities. Since March 2016, Mr. Gao has been the general manager of public equity department of 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.

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

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

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

Senior Management

Mr. YIN Gang, aged 54, is the president of the Company. For biography of Mr. Yin, please see the section headed "—Directors".

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

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. HU Shaofeng, aged 49, has been the Company's chief accountant since July 2016, and is mainly in charge of the Company's financial work. He has been the Company's Board Secretary since May 2013. Mr. Hu has been the director of 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 China Railway No.4 Survey & Design Group Co., Ltd. (鐵道部第四勘察設計院) from February 2004 to October 2006, as the director of financial department of the China Railway No. 4 Survey & Design Group Co., Ltd. from February 2004 to April 2005, as the assistant to director and deputy director of financial department of the China Railway No. 4 Survey & Design Group Co., Ltd. from February 2002 to February 2004.

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

Mr. CHEN Hong, aged 54, has been the Company's vice president since April 2013, and is mainly responsible for assisting the president in daily production and operation. Mr. Chen was an employee representative Director from December 2010 to May 2015, chairman of our labor union from April 2011 to April 2013, and assistant to president of our Company from February 2012 to April 2013. Mr. Chen was chairman of China Railway Signal & Communication Shanghai Engineering Bureau Group Co., Ltd. (中國鐵路通信信號上海工程局集團有限公司) ("CRSCS") from September 2013 to October 2014, chairman of Innovation Investment (創新投資) from August 2012 to February 2014. Mr. Chen was 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 Co., Ltd. (中國鐵路通信信號上海工程公司) (the predecessor of CRSCS) from June 2000 to November 2004, and office manager, project manager and assistant to general manager of this company from June 1992 to June 2000.

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

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

Mr. Huang graduated from Southwest Jiaotong University (西南交通大學) in July 1987, with a Bachelor's degree in engineering and majoring in automatic control; and graduated from Fordham University in the United States in May 2003, with 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Joint Company Secretaries

Mr. HU Shaofeng, has been the Company's joint company secretary since 17 March 2017. Please refer to the sub-section headed "Senior Management" in this section for biographical details of Mr. Hu.

Ms. NG Wing Shan was appointed as our joint company secretary on 17 March 2015. Ms. Ng is an assistant vice president of 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	3	29,402,146	23,951,553
Cost of sales	5	(21,973,755)	(17,936,850)
Gross profit		7,428,391	6,014,703
Other income and gains	3	411,068	706,792
Selling and distribution expenses		(684,272)	(646,558)
Administrative expenses		(3,177,721)	(2,826,582)
Other expenses		(167,780)	(117,616)
Finance costs	4	(30,032)	(51,758)
Share of profits and losses of:			
Joint ventures		10,423	35,037
Associates		26,054	30,144
PROFIT BEFORE TAX	5	3,816,131	3,144,162
Income tax expense	6	(624,642)	(520,684)
PROFIT FOR THE YEAR		3,191,489	2,623,478
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		(22,644)	(103,716)
Other comprehensive income to be reclassified to profit or loss in subsequent periods net of tax:			
Effective portion of changes in fair value of hedging instrument arising during the year, net of tax		6,396	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(16,248)	(103,716)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,175,241	2,519,762
Profit attributable to:			
Owners of the parent		3,049,341	2,496,403
Non-controlling interests		142,148	127,075
		3,191,489	2,623,478
Total comprehensive income attributable to:			
Owners of the parent		3,033,093	2,392,687
Non-controlling interests		142,148	127,075
		3,175,241	2,519,762
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted (expressed in RMB per share)	7	0.35	0.32

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,755,006	3,105,083
Prepaid land lease payments		2,292,068	2,277,608
Investment properties		—	3,918
Goodwill		267,894	267,225
Other intangible assets		470,370	588,710
Investments in joint ventures		394,614	241,692
Investments in associates		237,705	181,289
Available-for-sale investments		153,820	62,709
Deferred tax assets		215,002	147,444
Trade receivables	9	600,771	935,737
Financial receivables		255,116	—
Prepayments, deposits and other receivables		60,000	208,125
Total non-current assets		<u>8,702,366</u>	<u>8,019,540</u>
CURRENT ASSETS			
Prepaid land lease payments		60,797	59,747
Inventories		3,242,961	2,689,098
Trade and bills receivables	9	11,023,531	8,285,130
Prepayments, deposits and other receivables		2,147,598	2,466,214
Amounts due from contract customers	8	9,414,068	5,904,875
Tax recoverable		11,539	29,212
Pledged deposits	10	171,610	198,549
Cash and cash equivalents	10	15,520,537	14,339,794
Total current assets		<u>41,592,641</u>	<u>33,972,619</u>
CURRENT LIABILITIES			
Trade and bills payables	11	15,645,157	10,954,247
Amounts due to contract customers	8	3,812,861	3,998,934
Other payables, advances from customers and accruals		5,647,534	5,501,037
Interest-bearing bank and other borrowings		931,269	429,446
Provisions for supplementary retirement benefits		70,701	73,557
Tax payable		223,180	190,674
Government grants		8,959	9,755
Provisions		58,958	35,481
Total current liabilities		<u>26,398,619</u>	<u>21,193,131</u>
NET CURRENT ASSETS		<u>15,194,022</u>	<u>12,779,488</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>23,896,388</u>	<u>20,799,028</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		23,896,388	20,799,028
NON-CURRENT LIABILITIES			
Trade payables	11	19,380	34,024
Interest-bearing bank and other borrowings		220,436	37,982
Provisions for supplementary retirement benefits		656,489	682,273
Deferred tax liabilities		59,405	74,252
Government grants		125,123	112,741
Provisions		125,084	122,574
Total non-current liabilities		1,205,917	1,063,846
Net assets		22,690,471	19,735,182
EQUITY			
Equity attributable to owners of the parent			
Share capital		8,789,819	8,789,819
Reserves		12,866,818	10,053,470
		21,656,637	18,843,289
Non-controlling interests		1,033,834	891,893
Total equity		22,690,471	19,735,182

NOTES TO FINANCIAL STATEMENTS

31 December 2016

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (“IASB”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2. OPERATING SEGMENT INFORMATION

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

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

31 December 2016

2. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2016

	Rail transportation control system RMB'000	Construction contracting RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	23,398,250	5,770,357	233,539	—	29,402,146
Intersegment sales	12,374	349,699	59,528	(421,601)	—
Total revenue	23,410,624	6,120,056	293,067	(421,601)	29,402,146
Segment results	3,553,562	437,317	(24,310)	(43,441)	3,923,128
Interest income	215,173	16,170	1,334	(46,763)	185,914
Finance cost	(20,563)	(43,041)	(13,191)	46,763	(30,032)
Corporate and other unallocated expenses					(262,879)
Profit before tax					3,816,131
Segment assets	38,526,561	12,631,881	492,942	(1,356,377)	50,295,007
Total assets	38,526,561	12,631,881	492,942	(1,356,377)	50,295,007
Segment liabilities	20,240,857	7,716,872	316,275	(669,468)	27,604,536
Total liabilities	20,240,857	7,716,872	316,275	(669,468)	27,604,536
Other segment information:					
Share of profits and losses of:					
Joint ventures	6,232	4,191	—	—	10,423
Associates	23,460	2,594	—	—	26,054
Depreciation and amortisation	498,206	10,969	435	—	509,610
Impairment/(reversal) of trade receivables	(53,014)	4,651	9,181	—	(39,182)
Impairment of deposits and other receivables	53,465	9,825	40,292	—	103,582
Product warranty provision:					
Additional provision	80,061	—	—	—	80,061
Reversal of provision	(2,340)	—	—	—	(2,340)
Available-for-sale investments	153,820	—	—	—	153,820
Investments in joint ventures	394,614	—	—	—	394,614
Investments in associates	193,038	44,667	—	—	237,705
Capital expenditure	882,850	43,396	106	—	926,352

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2015

	Rail transportation control system RMB'000	Construction contracting RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	20,149,819	3,440,179	361,555	—	23,951,553
Intersegment sales	4,472	250,108	114,558	(369,138)	—
Total revenue	20,154,291	3,690,287	476,113	(369,138)	23,951,553
Segment results					
Interest income	2,864,649	411,344	36,564	19,908	3,332,465
Finance cost	95,821	14,991	3,254	(18,714)	95,352
Corporate and other unallocated expenses	(43,495)	(18,697)	(8,280)	18,714	(51,758)
Profit before tax					3,144,162
Segment assets	34,297,721	7,441,082	712,510	(459,154)	41,992,159
Total assets	34,297,721	7,441,082	712,510	(459,154)	41,992,159
Segment liabilities	18,706,189	3,497,454	486,626	(433,292)	22,256,977
Total liabilities	18,706,189	3,497,454	486,626	(433,292)	22,256,977
Other segment information:					
Share of profits and losses of:					
Joint ventures	35,037	—	—	—	35,037
Associates	29,917	227	—	—	30,144
Depreciation and amortisation	529,094	4,248	1,031	—	534,373
Impairment/(reversal) of trade receivables	90,692	125	(100)	—	90,717
Impairment of deposits and other receivables	1,779	15,728	—	—	17,507
Product warranty provision:					
Additional provision	94,771	—	—	—	94,771
Reversal of provision	(1,227)	—	—	—	(1,227)
Available-for-sale investments	62,709	—	—	—	62,709
Investments in joint ventures	241,692	—	—	—	241,692
Investments in associates	181,289	—	—	—	181,289
Capital expenditure	714,163	262,690	114	—	976,967

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2016 RMB'000	2015 RMB'000
Mainland China	28,686,667	23,434,313
Other countries	715,479	517,240
	<u>29,402,146</u>	<u>23,951,553</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2016 RMB'000	2015 RMB'000
Mainland China	<u>7,417,657</u>	<u>6,870,335</u>

All the non-current assets are located in Mainland China. The non-current asset information above excludes deferred tax assets and financial instruments.

Information about major customers

No revenue from a single customer contributed 10% or more to the Group's revenue for the years ended 31 December 2016 and 2015.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

3. REVENUE, OTHER INCOME AND GAINS

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

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

	2016 RMB'000	2015 RMB'000
Revenue		
Rail transportation control system		
Design and integration	7,895,973	5,808,424
Equipment manufacturing	7,142,825	6,903,242
System implementation	8,359,452	7,438,153
Construction contracting	5,770,357	3,440,179
Others	233,539	361,555
	<u>29,402,146</u>	<u>23,951,553</u>
Other income and gains		
Interest income	185,914	95,352
Government grants	115,861	165,869
Gain on disposal of an associate	—	2,717
Gain on re-measurement of previously held interest in an acquire at its acquisition-date fair value in a step acquisition of a subsidiary	11,157	—
Foreign exchange gains, net	69,363	405,236
Others	28,773	37,618
	<u>411,068</u>	<u>706,792</u>

4. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on bank loans and other borrowings wholly repayable:	28,719	50,181
Interest on discounted bills receivable	1,313	1,577
	<u>30,032</u>	<u>51,758</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2016

5. PROFIT BEFORE TAX

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

	2016 RMB'000	2015 RMB'000
Cost of sales	21,973,755	17,936,850
Depreciation of items of property, plant and equipment	316,175	346,134
Depreciation of investment properties	178	—
Amortisation of prepaid land lease payments	54,654	50,536
Amortisation of other intangible assets	138,603	137,703
Total depreciation and amortisation	<u>509,610</u>	<u>534,373</u>
(Reversal of impairment)/impairment of trade receivables	(39,182)	90,717
Impairment of deposits and other receivables	103,582	17,507
Write-down of inventories to net realisable value	972	5,655
Provision for foreseeable losses on contracts	2,419	4,037
Lease expenses under operating leases of land and buildings	113,955	87,343
Auditors' remuneration	8,300	8,200
Employee benefit expenses (including directors' and supervisors' remuneration):		
Wages, salaries and allowances	2,294,198	2,027,936
Retirement benefit costs		
– Defined contribution retirement schemes	410,604	378,944
– Defined benefit retirement schemes and early retirement costs	<u>28,223</u>	<u>40,059</u>
Total retirement benefit costs	438,827	419,003
Welfare and other expenses	745,619	588,139
Research and development costs	1,050,429	1,012,769
Government grants	(115,861)	(165,869)
Product warranty provision:		
Additional provision	80,061	94,771
Reversal of provision	<u>(2,340)</u>	<u>(1,227)</u>
	77,721	93,544
Interest income	(185,914)	(95,352)
Losses on disposal of items of property, plant and equipment	1,948	2,428
Losses on disposal of other intangible assets	—	43
Gain on disposal of an associate	—	(2,717)
Gain on re-measurement of the previously held interest		
in an acquiree at its acquisition-date fair value		
in a step acquisition of a subsidiary	(11,157)	—
Losses on forward commodity purchase contracts	132	6,963
Foreign exchange gains, net	<u>(69,363)</u>	<u>(405,236)</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2016

6. INCOME TAX EXPENSE

The Company and certain subsidiaries have been accredited as “high and new technology enterprises” and were entitled to a preferential income tax rate of 15% for the years ended 31 December 2016 and 2015 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%.

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong during the years ended 31 December 2016 and 2015.

	2016 RMB'000	2015 RMB'000
Current income tax - Mainland China		
Charge for the year	698,291	557,560
Underprovision/(overprovision) for the prior years	11,775	(3,268)
Deferred income tax	(85,424)	(33,608)
Tax charge for the year	<u>624,642</u>	<u>520,684</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year ended 31 December 2016.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

	2016	2015
	RMB'000	RMB'000
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	<u>3,049,341</u>	<u>2,496,403</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	<u>8,789,819</u>	<u>7,712,873</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2016

8. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	2016 RMB'000	2015 RMB'000
Amount due from contract customers	9,414,068	5,904,875
Amount due to contract customers	<u>(3,812,861)</u>	<u>(3,998,934)</u>
	<u>5,601,207</u>	<u>1,905,941</u>

	2016 RMB'000	2015 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	102,434,296	80,690,707
Less: Progress billings received and receivable	<u>(96,833,089)</u>	<u>(78,784,766)</u>
	<u>5,601,207</u>	<u>1,905,941</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2016

9. 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. 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	2016 RMB'000	2015 RMB'000
Trade receivables		10,788,285	9,050,830
Provision for impairment		(507,064)	(545,395)
Trade receivables, net		10,281,221	8,505,435
Bills receivable		1,343,081	715,432
		11,624,302	9,220,867
Portion classified as non-current assets	(i)	(600,771)	(935,737)
Current portion		11,023,531	8,285,130

Note:

- (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.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

9. 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 31 December 2016 and 2015 respectively is as follows:

	2016	2015
	RMB'000	RMB'000
Within 1 year	9,197,201	6,966,725
1 to 2 years	1,712,902	1,393,856
2 to 3 years	531,239	522,564
Over 3 years	182,960	337,722
	<u>11,624,302</u>	<u>9,220,867</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2016

10. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2016 RMB'000	2015 RMB'000
Cash and bank balances	7,595,683	11,475,109
Time deposits	8,096,464	3,063,234
	15,692,147	14,538,343
Less: Pledged bank balances for performance guarantees and for issuance of letters of credits	(171,610)	(198,549)
Cash and cash equivalents in the consolidated statement of financial position	15,520,537	14,339,794
Less: Non-pledged time deposits with original maturity of more than three months when acquired	(1,330,504)	(2,919,856)
Cash and cash equivalents in the consolidated statement of cash flows	14,190,033	11,419,938
Cash and bank balances and time deposits denominated in:		
– RMB	14,596,926	13,340,823
– Other currencies	1,095,221	1,197,520
	15,692,147	14,538,343

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 FINANCIAL STATEMENTS

31 December 2016

11. TRADE AND BILLS PAYABLES

	Note	2016 RMB'000	2015 RMB'000
Trade payables		15,171,700	10,499,116
Bills payable		492,837	489,155
		<u>15,664,537</u>	<u>10,988,271</u>
Portion classified as non-current liabilities	(i)	(19,380)	(34,024)
Current portion		<u>15,645,157</u>	<u>10,954,247</u>

Note:

- (i) The non-current portion of trade payables mainly represents the amount of retentions from suppliers of the Group at 31 December 2016 and 2015.

An aged analysis of the trade and bills payable, as at the end of the reporting period, based on the invoice date, is as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	12,594,777	8,859,851
1 to 2 years	1,881,512	1,617,804
2 to 3 years	842,197	233,371
Over 3 years	346,051	277,245
	<u>15,664,537</u>	<u>10,988,271</u>

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

	Year ended 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
REVENUE	29,402,146	23,951,553	17,328,643	13,064,585	10,550,912
Cost of sales	(21,973,755)	(17,936,850)	(13,134,039)	(9,625,281)	(7,650,319)
Gross profit	7,428,391	6,014,703	4,194,604	3,439,304	2,900,593
Other income and gains	411,068	706,792	756,924	154,665	140,265
Selling and distribution expense	(684,272)	(646,558)	(458,625)	(369,979)	(295,842)
Administrative expenses	(3,177,721)	(2,826,582)	(2,158,320)	(1,706,370)	(1,562,204)
Other expenses	(167,780)	(117,616)	(29,466)	(191,603)	(49,064)
Finance costs	(30,032)	(51,758)	(14,736)	(14,382)	(46,013)
Share of profits and losses of:					
Joint ventures	10,423	35,037	143,207	134,432	120,097
Associates	26,054	30,144	39,327	26,640	28,364
PROFIT BEFORE TAX	3,816,131	3,144,162	2,472,915	1,472,707	1,236,196
Income tax expense	(624,642)	(520,684)	(433,000)	(233,793)	(148,861)
PROFIT FOR THE YEAR	3,191,489	2,623,478	2,039,915	1,238,914	1,087,335
Profit attributable to:					
Owners of the parent	3,049,341	2,496,403	2,033,469	1,260,459	1,067,669
Non-controlling interests	142,148	127,075	6,446	(21,545)	19,666
	3,191,489	2,623,478	2,039,915	1,238,914	1,087,335
	As at 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
TOTAL ASSETS	50,295,007	41,992,159	28,576,548	21,645,251	17,084,195
TOTAL LIABILITIES	(27,604,536)	(22,256,977)	(16,101,249)	(11,646,367)	(9,442,184)
TOTAL NON-CONTROLLING INTERESTS	(1,033,834)	(891,893)	(811,574)	(17,212)	(45,461)
	21,656,637	18,843,289	11,663,725	9,981,672	7,596,550

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meaning:

“ALSTOM Holdings”	Alstom Holdings (阿爾斯通控股有限公司), a limited liability company established in France on 14 June 1989, a holding company of ALSTOM IC and a connected person of the Company
“ALSTOM IC”	Alstom Investment Company Limited (阿爾斯通投資(上海)有限公司), a limited liability company established in the PRC on 21 January 2015, holds 49% of the equity interests in CRSC CASCO, and is a connected person of the Company
“ALSTOM”	ALSTOM Holdings and/or its subsidiaries
“associate”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Audit and Risk Management Committee”	Audit and Risk Management Committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“CASBE”	China Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the PRC
“CCT Group”	China Chengtong Holdings Group Ltd. (中國誠通控股集團有限公司), a wholly state-owned enterprise with limited liability established in the PRC on 22 January 1998, one of the Shareholders and promoters of the Company
“China” or the “PRC”	the People’s Republic of China excluding, for the purposes of this announcement, Hong Kong, Macau and Taiwan
“CICC Jiacheng”	ICC Jiacheng Investment Management Co., Ltd. (中金佳成投資管理有限公司), a limited liability company established in the PRC on 26 October 2007, and wholly owned by the China International Capital Corporation Limited (中國國際金融有限公司), one of the Shareholders and promoters of the Company
“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” or “we” or “us”	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
“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules
“connected transaction”	has the meaning as defined in the Hong Kong Listing Rules, unless the context otherwise requires

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Controlling Shareholder”	as defined under the Hong Kong Listing Rules, and as of the Latest Practicable Date, refers to the controlling shareholder of the Company, being CRSC Corporation Group
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Hong Kong Listing Rules
“CRCC”	China Railway Construction Corporation Ltd. (中國鐵建股份有限公司), a joint stock limited liability company established in the PRC on 5 November 2007
“CREC”	China Railway Group Ltd. (中國中鐵股份有限公司), a joint stock limited liability company established in the PRC on 12 September 2007
“CRHC”	China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司), a wholly state-owned enterprise with limited liability established in the PRC on 1 December 2010, one of the Shareholders and promoters of the Company
“CRSC CASCO”	Casco Signal Ltd. (卡斯柯信號有限公司), a limited liability company established in the PRC on 5 March 1986 and a direct non-wholly owned subsidiary of the Company. It is owned as to 51% by the Company and as to 49% by ALSTOM IC respectively
“CRSC Corporation Group”	China Railway Signal Communication Corporation (中國鐵路通信信號集團公司), a wholly state-owned enterprise approved to be established by MOR on 8 May 1981 and registered in the PRC on 7 January 1984, the sole Controlling Shareholder and one of the promoters of the Company
“CRSC Innovation Investment”	CRSC Innovation Investment Company Ltd. (通號創新投資有限公司), a limited liability company established in the PRC on 21 September 2012 and a direct wholly-owned subsidiary of the Company
“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
“CRSCD”	Beijing National Railway Research & Design Institute of Signal & Communication Co., Ltd. (北京全路通信信號研究設計院有限公司) (formerly known as Beijing National Railway Research & Design Institute (北京全路通信信號研究設計院)), a limited liability company established in the PRC on 18 November 1994 and a direct wholly-owned subsidiary of the Company
“CRSCS”	China Railway Signal & Communication Shanghai Engineering Bureau Group Co., Ltd. (中國鐵路通信信號上海工程局集團有限公司) (formerly known as China Railway Signal & Communication Shanghai Engineering Co., Ltd. (中國鐵路通信信號上海工程有限公司)), a limited liability company established in the PRC on 21 August 1984 and a direct wholly-owned subsidiary of the Company

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director”	a director of the Company
“Domestic Shares”	ordinary shares of the Company, with a nominal value of RMB1.00, which are subscribed for or credited as fully paid in Renminbi
“EIT”	enterprise income tax of the PRC
“Ernst & Young”	Ernst & Young/Ernst & Young Hua Ming LLP
“General Meeting”	general meeting of the Company
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shares”	ordinary shares of the Company, being overseas listed foreign shares with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
“HK\$” or “HK dollars” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board (IASB)
“Independent Third Party”	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
“Listing Date”	7 August 2015, the date on which the Company’s overseas listed foreign shares (H Shares) were listed on the Main Board of the Stock Exchange
“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Listing”	the listing of H Shares on the Main Board of the Hong Kong Stock Exchange
“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel to the GEM
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“MOR”	the former Ministry of Railway of the PRC (中華人民共和國鐵道部)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	Nomination Committee of the Board
“NSSF”	National Council for Social Security Fund of the PRC (中華人民共和國全國社會保障基金理事會)
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Prospectus”	the prospectus of the Company dated 28 July 2015
“Quality and Safety Committee”	Quality and Safety Committee of the Board
“R&D”	research and development
“Remuneration and Evaluation Committee”	Remuneration and Evaluation Committee of the Board
“reporting period”	A period of 12 months from 1 January 2016 to 31 December 2016
“RMB” or “Renminbi”	Renminbi Yuan, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“Senior Management”	the senior management of the Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shareholders”	holders of the Shares
“Shares”	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each
“SINOMACH”	China National Machinery Industry Corporation (中國機械工業集團有限公司), a wholly state-owned enterprise with limited liability incorporated in the PRC on 21 May 1988, one of the Shareholders and promoters of the Company
“Special Committees”	collectively, Strategic and Investment Committee, Remuneration and Evaluation Committee, Audit and Risk Management Committee, Nomination Committee and Quality and Safety Committee

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“State Administration of Taxation” or “SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“State Council”	State Council of the PRC (中華人民共和國國務院)
“State”	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
“Strategic and Investment Committee”	Strategic and Investment Committee of the Board
“subsidiary”	has the meaning as defined under the Hong Kong Listing Rules, unless the context otherwise requires
“Substantial shareholder”	has the meaning as defined under the Hong Kong Listing Rules, unless the context otherwise requires
“Supervisors”	the supervisors of the Company
“Supervisory Committee” or “Board of Supervisors”	the supervisory committee of the Company
“United States” or “U.S.”	the United States of America
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“Zhengzhou Zhongyuan”	Zhengzhou Zhongyuan Railway Engineering Co., Ltd. (鄭州中原鐵道工程有限責任公司), a limited liability company established in the PRC on 26 October 2001
“%”	per cent
“2016” or “the year”	the year beginning from 1 January 2016 and ending on 31 December 2016

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain technical terms used in this announcement in connection with the Company and its business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

“ATO”	the automatic train operation system, a system that automatically adjusts the speed and operation status of trains to automatically control a train’s operation
“balise”	an intermittent device used for ground-to-vehicle information transmission, including passive balise and active balise, whose main function is to provide the on-board train operation control equipment with reliable fixed and changeable data from the ground
“CBTC”	the wireless communication based train control system, a wireless communication system for urban transit that enables bidirectional communication between vehicle and ground to control the operation of trains

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“communication system”	a system using information transmission and exchange technology for rail transportation
“high-speed railway”	passenger dedicated railway with an operating speed of 200km/h or higher
“intercity railway”	rapid, convenient and high-density passenger dedicated railway with a designed speed of 200km/h and lower, which is dedicated to serving cities or among cities
“modern tram”	the light-axle transportation system running on the rail and powered by electricity
“normal-speed railway”	railway with an operating speed lower than 160km/h
“rail transportation control system”	a system that monitors, controls and adjusts the operation status of trains, such as speed and braking mode, based on the objective conditions and actual situation of trains, which includes rail transportation communication system and rail transportation signal system
“rail transportation”	includes railway, urban transit and modern tram
“railway”	the generic term for national railway and intercity railway. National railway includes normal-speed railway and high-speed railway
“signal system”	a system using manual, automatic and remote control technology to ensure train safety and enhance the traffic capacity among areas and stations
“Smart City”	an advanced form of informationized city, in which the information technology of new generation is fully applied to each industry and every aspect of municipal life, that deeply integrates the informatization, industrialization and urbanization of the city
“track circuit”	a track circuit using steel rail of certain section of railways as conductor, which is used to automatically and continuously detect whether the track is occupied
“train control center”	a system that controls track circuit encoding and active balise information and grants movement authority to trains, based on information such as the location of each train within its monitoring scope, interlocking route, temporary speed limits
“train control system”	a system that monitors, controls and adjusts operation status of trains, such as speed and braking mode, based on the objective conditions and actual situation
“urban transit”	the electricity-powered public transportation operating on rails, which has high carrying capacity, including metro and light rail