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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



中國鐵路通信信號股份有限公司
China Railway Signal & Communication Corporation Limited*
(A joint stock limited liability company incorporated in the People's Republic of China)
(Stock Code: 3969)

**STRATEGIC ALLOTMENT TO CONNECTED PERSONS UNDER THE
A SHARE OFFERING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



This circular should be read in conjunction with the announcement of the Company dated 28 June 2019 relating to the Strategic Allotment to Connected Persons.

A letter from the Board is set out on pages 5 to 16 of this circular. A letter from the Independent Board Committee is set out on page 17 of this circular. A letter from Gram Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 32 of this circular.

* *For identification purpose only.*

8 July 2019

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“A Share(s)”	the ordinary share(s) to be subscribed for in RMB which are proposed to be issued by the Company in accordance with the A Share Offering, which will be listed on the SSE STAR Market and traded in RMB
“A Share Offering” or “A Share Offering and Listing”	the Company’s proposed initial public offering of no more than 1,800,000,000 A Shares, which will be listed on the SSE STAR Market
“Allotment Participant(s)”	the participant(s) of the Strategic Allotment, including the Connected Allotment Participants and non-connected allotment participants
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“Company”	China Railway Signal & Communication Corporation Limited*, a joint stock limited liability company established in the PRC on 29 December 2010
“Company Law”	the Company Law of the PRC (《中華人民共和國公司法》) (as amended from time to time)
“Connected Allotment Participant(s)”	the participant(s) of the Strategic Allotment to Connected Persons
“Connected Assets Management Plans”	the broker collective assets management plans formulated for the purpose of the Strategic Allotment to Connected Persons
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Connected Persons Strategic Allotment Agreement”	the connected persons strategic allotment agreement entered into between the Company and the Connected Assets Management Plans in relation to the Strategic Allotment to Connected Persons on 28 June 2019 (after trading hours)
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules

* For identification purpose only.

DEFINITIONS

“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules, and as of the Latest Practicable Date, refers to the controlling Shareholder of the Company, being CRSC Corporation Group
“CRSC Corporation Group”	China Railway Signal and Communication (group) Corporation Limited (中國鐵路通信信號集團有限公司) (formerly known as 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 the former Ministry of Railway of the PRC 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
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the Company’s share capital with a nominal value of RMB1.00 each, which are subscribed for or paid up in RMB
“Group”	the Company and/or its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and listed on the Stock Exchange
“HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors who are independent from related matters to advise Independent Shareholders in respect of the Strategic Allotment to Connected Persons
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser of the Company appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Strategic Allotment to Connected Persons
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolution in relation to the Strategic Allotment to Connected Persons to be considered and approved

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“Latest Practicable Date”	5 July 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China, which for the purposes of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including Domestic Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Shares of the Company
“SSE”	the Shanghai Stock Exchange
“SSE STAR Market”	the Sci-tech Innovation Board of the SSE
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Allotment”	the allotment of no more than 10% of A Shares proposed to be issued under the A Share Offering to the Allotment Participants by the Company in accordance with the Strategic Allotment Agreements
“Strategic Allotment Agreements”	collectively, the strategic allotment agreements entered into by the Company with Connected Assets Management Plans and non-connected assets management plans, respectively, in relation to the Strategic Allotment on 28 June 2019 (after trading hours)

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“Strategic Allotment to Connected Persons”	the allotment of no more than 1.89% of A Shares proposed to be issued under the A Share Offering as well as no more than 0.33% A Shares of the total number of Shares of the Company immediately after the completion of the A Share Offering to the Connected Allotment Participants by the Company in accordance with the Connected Persons Strategic Allotment Agreement
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“%”	per cent

LETTER FROM THE BOARD



中国通号

中國鐵路通信信號股份有限公司

China Railway Signal & Communication Corporation Limited*

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

(Stock Code: 3969)

Chairman of the Board and executive Director:

Mr. ZHOU Zhiliang

Registered Address:

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

Executive Directors:

Mr. YIN Gang

Mr. YANG Yongsheng

Principal place of business in the PRC:

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

Independent non-executive Directors:

Mr. WANG Jiajie

Mr. CHEN Jin'en

Mr. CHAN Ka Keung Peter

Mr. YAO Guiqing

Principal place of business in Hong Kong:

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wan Chai
Hong Kong

To the Shareholders

STRATEGIC ALLOTMENT TO CONNECTED PERSONS UNDER THE A SHARE OFFERING

I. INTRODUCTION

Reference is made to the Company's announcement dated 28 June 2019 in relation to the Strategic Allotment to Connected Persons.

The purpose of this circular is to provide you with further details on Strategic Allotment to Connected Persons. Relevant details of the Strategic Allotment to Connected Persons are set out in the letter from the Board.

* For identification purpose only.

LETTER FROM THE BOARD

II. STRATEGIC ALLOTMENT TO CONNECTED PERSONS

References are made to the announcements of the Company dated 28 February 2019 and 25 March 2019 in relation to the proposed initial public offering of A Shares and listing and related matters (the “**Proposed A Share Offering Announcements**”), the circular dated 26 March 2019 in relation to the 2019 first extraordinary general meeting and the 2019 first H Shareholders class meeting of the Company (the “**Such Circular**”), the announcement dated 15 April 2019 in relation to, among other things, the poll results of the 2019 first extraordinary general meeting, the 2019 first Domestic Shareholders class meeting and the 2019 first H Shareholders class meeting of the Company, the announcement dated 16 April 2019 in relation to the acceptance by the SSE of the application for A Share Offering, and the overseas regulatory announcements dated 16 April 2019, 8 May 2019 and 24 May 2019 in relation to the Prospectus (Application Proof) for the Initial Public Offering of Shares and Listing on the SSE STAR Market and responses to vetting inquiries from the SSE, the announcement dated 21 June 2019 in relation to the approval of A Share Offering by the Listing Committee for the SSE STAR Market, the announcement dated 27 June 2019 in relation to the completion of registration with the CSRC, the announcement dated 28 June 2019 in relation to the Strategic Allotment to Connected Persons under the A Share Offering, and the announcement dated 2 July 2019 in relation to the preliminary price consultation period for the A Share Offering and summary of principal provisions of the A Share prospectus. The registration of the A Share Offering was consented by the CSRC. Pursuant to the announcement of the Company dated 2 July 2019, the Company intended to make the preliminary inquiries on 5 July 2019. Pursuant to the A Share prospectus of the Company, the number of A Shares proposed to be issued by the Company shall not exceed 1,800,000,000 Shares, being no more than 17% of the total capital of the Company following the completion of the A Share Offering. Relevant data in this circular is accordingly updated based on the number of A Shares proposed to be issued under the A Share Offering as disclosed in the A Share prospectus of the Company.

References are made to the Proposed A Share Offering Announcements and Such Circular. The special authorization for the A Share Offering was considered and approved by the 2019 first extraordinary general meeting, the 2019 first Domestic Shareholders class meeting and the 2019 first H Shareholders class meeting of the Company on 15 April 2019. As the Proposed A Share Offering Announcements and Such Circular were prepared in February 2019 or March 2019, by which time the Company had no specific plans to issue A Shares to connected persons. The Company proposed to issue A Shares which will be listed on the SSE STAR Market, which is a newly-established Listing Board, and the relevant rules and guidelines are in the process of continuous roll-out. On 1 March 2019, the SSE published the Notice on Issuing the Implementation Rules for the Offering and Underwriting of Stocks on the STAR Market of the Shanghai Stock Exchange (《關於發佈〈上海證券交易所科創板股票發行與承銷實施辦法〉的通知》), which has clarified that the senior executives and core employees from the enterprise applicants of the SSE STAR Market can participate in the strategic allotment of the public offering and listing on the SSE STAR Market; and on 16 April 2019, the SSE published the Notice on Issuing the Guidelines for the Offering and Underwriting of Stocks on the STAR Market of Shanghai Stock Exchange (《關於發佈〈上海證券交易所科創板股票發行與承銷業務指引〉的通知》), which has further clarified the relevant rules and business guidelines.

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In accordance with the Company Law, the Implementation Rules for the Offering and Underwriting of Stocks on the STAR Market of the Shanghai Stock Exchange (《上海證券交易所科創板股票發行與承銷實施辦法》, the “**Implementation Rules**”), the Guidelines for the Offering and Underwriting of Stocks on the STAR Market of Shanghai Stock Exchange (《上海證券交易所科創板股票發行與承銷業務指引》, the “**Guidelines**”) and the provisions of other relevant laws, regulations and regulatory documents and the Articles of Association, as considered and approved at the Board meeting, as part of the A Share Offering, certain senior executives and core employees of the Company have established broker collective assets management plans and participated in the Strategic Allotment of the A Share Offering in order to subscribe for no more than 10% of the A Shares proposed to be issued under the A Share Offering. There are a total of 572 Allotment Participants who meet the conditions of Allotment Participants and would like to participate in the Strategic Allotment representing approximately 2.98% of the on-post employees of the Company at the end of 2018, of which 101 Connected Allotment Participants have established separate broker collective assets management plans to participate in the Strategic Allotment. Accordingly, on 28 June 2019 (after the trading hours), the Company entered into the Connected Persons Strategic Allotment Agreement with Connected Assets Management Plans and entered into the non-connected persons strategic allotment agreement with non-connected assets management plans, respectively. Among these, the main contents of the Connected Persons Strategic Allotment Agreement and Strategic Allotment to Connected Persons are as follows:

1. Participants

The Company has established the following criteria for the Connected Allotment Participants of the Strategic Allotment to Connected Persons:

- (1) having served for a term of office at least three years in the Group, or serving as the chairman of board of directors of a tier-2 enterprise of the Group;
- (2) serving as the core management, technical and business backbone of the Group; and
- (3) meeting the criteria for qualified investors (the “**Qualified Investors**”) as stipulated in the Guiding Opinions on Regulating Asset Management Business of Financial Institutions (Yin Fa [2018] No. 106) (《關於規範金融機構資產管理業務的指導意見》(銀發[2018]106號)), the Administrative Measures for Private Asset Management Business of Securities and Futures Operator (Order No. 151 of CSRC) (《證券期貨經營機構私募資產管理業務管理辦法》(中國證監會令第151號)) and Administrative Provisions on the Operation of Private Asset Management Plans of Securities and Futures Operator (Announcement No. 31 [2018] of CSRC) (《證券期貨經營機構私募資產管理計劃運作管理規定》(中國證監會公告[2018]31號)) to participate in the Connected Assets Management Plans.

Connected Allotment Participants only comprise the directors, supervisors and chief executives of the Company’s subsidiaries. According to the supervision and administration requirements of state-owned enterprises, none of the Directors, Supervisors, chief executives and their respective associates of the Company will participate in the Strategic Allotment to Connected Persons.

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2. Source of Funding

The Connected Allotment Participants shall undertake that they will participate in the Connected Assets Management Plans and the monies payable by them through the Connected Assets Management Plans for the subscription of A Shares to be issued under the Strategic Allotment to Connected Persons shall be sourced from their self-owned funds.

3. Source of Shares

Shares under the Strategic Allotment to Connected Persons shall be the A Shares to be issued by the Company pursuant to the A Share Offering, with nominal value of RMB1.00 each. Such A Shares shall be listed on the SSE STAR Market.

4. Number of Shares

According to the actual amount of contributions to the Connected Assets Management Plans by the Connected Allotment Participants within the prescribed period (i.e. from 16 May 2019 to 17 May 2019), the size of proceeds to be raised and the maximum number of A Shares proposed to be issued under the A Share Offering, the total number of Shares to be subscribed for by the Connected Allotment Participants shall not exceed 1.89% of the proposed issue number under the A Share Offering, or exceed 0.33% of the total number of the Company's Shares in issue immediately after the completion of the A Share Offering. The subscription amount of any single Connected Allotment Participant in the Strategic Allotment to Connected Persons shall not exceed RMB3 million. The Board was authorized by the Company's 2019 first extraordinary general meeting, the 2019 first Domestic Shareholders class meeting and the 2019 first H Shareholders class meeting to deal with the specific implementation of all matters relating to the A Share Offering and Listing at its sole discretion. The number of A Shares proposed to be issued under the A Share Offering shall be no more than 1,800,000,000 Shares.

5. Issue Price, Pricing Principles and Payment Methods

The subscription price of the A Shares to be issued under the Strategic Allotment shall be the same as the issue price of the A Share Offering and shall be paid by the Allotment Participants with their self-owned funds.

The issue price of the A Share Offering will be determined through preliminary inquiries made with the inquiry targets, and the Company and the sponsor institution/the lead underwriters will determine the final issue price through mutual negotiation based on the results of the preliminary inquiries, or by other methods as recognized by the CSRC and the SSE at that time. According to the requirements of state-owned assets supervision and administration, in principle, the issue price of A Shares shall not be lower than the net asset per Share latest available to the Company on the date when determining the issue price of A Shares. In addition, the issue price of A Shares is subject to the relevant requirements of the Listing Rules.

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The Connected Assets Management Plans shall, at the request of the lead underwriters, transfer the subscription funds to the account designated by the lead underwriters in one go, which will in turn be transferred to the special proceeds account of the Company together with funds raised from the A Share Offering after deduction of sponsor and underwriting fees and other expenses.

6. Lock-up Period

The A Shares subscribed by Connected Allotment Participants through Connected Assets Management Plans shall not be transferred within 12 months from the date of completion of the A Share Offering and Listing. Where the laws, regulations and relevant requirements of the securities regulatory authorities in the places where the Shares of the Company are listed have any other provisions in respect of stock lock-up period, such provisions shall prevail. Connected Allotment Participants shall not transfer the Shares held in the Connected Assets Management Plans during the lock-up period mentioned above in any form.

7. Duration Period

The duration period (management period) of the Connected Assets Management Plans shall be ten years from the date of establishment of the Connected Assets Management Plans.

8. Connected Assets Management Plans

To implement the Strategic Allotment to Connected Persons, the manager, China International Capital Corporation Limited, has established two broker collective assets management plans for the Strategic Allotment to Connected Persons, which, with the Connected Assets Management Plans as the platform, shall hold the A Shares to be issued under the Strategic Allotment to Connected Persons on behalf of the Connected Allotment Participants after the completion of the A Share Offering. The rights and interests of the A Shares issued under the Strategic Allotment to Connected Persons shall be vested in the Connected Assets Management Plans held by the Connected Allotment Participants upon completion of the A Share Offering. According to the management agreements of the Connected Assets Management Plans, the manager will exercise the voting rights of the Company's Shares held by the Connected Assets Management Plans in accordance with the provisions of laws on behalf of the Connected Assets Management Plans. All holders of the Share portions participating in the Connected Assets Management Plans have confirmed that the manager shall not attend or vote at the general meeting of the Company unless required by laws and regulations to attend the general meeting of the Company. If the manager is required to attend the general meeting of the Company in accordance with laws and regulations, it will abstain from voting when exercising the voting rights.

9. Implementation Conditions

The eighth review meeting of the Listing Committee for the SSE STAR Market was held on 21 June 2019. In accordance with the review results of the meeting, the A Share Offering and Listing on the SSE STAR Market of the Company has been approved. As part of the A Share Offering, the relevant details of the Strategic Allotment to Connected Persons have been disclosed in the A Share

LETTER FROM THE BOARD

prospectus. If no Shares are allotted to the Connected Assets Management Plans or the Company fails to complete the A Share Offering within one year from the date of the consent of registration of the A Share Offering by the CSRC at last, the Connected Assets Management Plans shall be terminated and liquidated according to law. On 6 May 2019, the Stock Exchange has granted a waiver (the “**Waiver**”) to the Company, pursuant to which, the Company will not hold a general meeting regarding the subscription of A Shares through broker collective assets management plans by the Connected Allotment Participants. However, the Stock Exchange may withdraw or change the Waiver if the Company’s situation changes.

10. Details of the Number of Shares to be Allotted and/or Portion of Connected Allotment Participants

Type of Connected Allotment Participants	Maximum number of Shares to be allotted (A Shares’0000)	Approximate percentage of the number of A Shares proposed to be issued under the Strategic Allotment to Connected Persons (no more than 33,973.8 thousand Shares)	Approximate percentage of the number of A Shares proposed to be issued under the A Share Offering (no more than 1,800,000.0 thousand Shares)
Directors of the Company’s subsidiaries	2,396.09	70.53%	1.33%
Supervisors of the Company’s subsidiaries	438.06	12.89%	0.24%
General managers of the Company’s subsidiaries	563.22	16.58%	0.31%
Total	3,397.38	100.00%	1.89%

Notes:

- (1) If the same connected person concurrently serves as a director, supervisor or general manager of subsidiaries of the Company, he/she should be counted as a director of the Company’s subsidiaries; and if the same connected person concurrently serves as a supervisor or general manager of subsidiaries of the Company, he/she should be counted as a supervisor of the Company’s subsidiaries;
- (2) If the total counts presented in the above statement are slightly inconsistent with the results calculated from the presented relevant individual data, they are all due to the rounding up.

According to the actual amount of contributions to the Connected Assets Management Plans by the Connected Allotment Participants within the prescribed period, the size of proceeds to be raised and the maximum number of A Shares proposed to be issued under the A Share Offering, the maximum number of A Shares to be subscribed for by the Connected Allotment Participants shall be 33,973,753 A Shares, accounting for 1.89% of the A Shares proposed to be issued under the A Share Offering, representing 0.39% of the total number of Shares of the Company in issue as at the Latest Practicable

LETTER FROM THE BOARD

Date and 0.33% of the total number of Shares of the Company in issue immediately after the completion of the A Share Offering. The subscription amount of any single Connected Allotment Participant in the Strategic Allotment to Connected Persons shall not exceed RMB3 million. The respective number of Shares to be allotted to each Connected Allotment Participant was calculated based on (i) maximum number of A Shares to be issued under the A Share Offering (i.e. 1,800,000,000 A Shares); (ii) maximum number of A Shares to be issued under the Strategic Allotment (i.e. 180,000,000 A Shares, being 10% of the maximum number of A Shares to be issued under the A Share Offering according to requirements of the Implementation Rules); (iii) maximum number of A Shares to be issued under the Strategic Allotment to Connected Persons (calculated by (a) proportion of the maximum amount of subscription shares paid by all Connected Allotment Participants to the total maximum amount of subscription shares paid by all allotment Participants; and (b) maximum number of A Shares to be issued under the Strategic Allotment); and (iv) proportion of the maximum amount of subscription shares paid by each of the Connected Allotment Participants to the total maximum amount of subscription shares paid by all Connected Allotment Participants.

The investment scope of the two types of Connected Assets Management Plans is equity products⁽¹⁾ and hybrid products⁽¹⁾, respectively. For calculation purposes only, the maximum amount of subscription shares for equity products shall be 100% of the actual amount of contributions and the maximum amount of subscription shares for hybrid products shall be 80% of the actual amount of contributions. Details of the Connected Allotment Participants and their respective number and proportion of Shares to be allotted are set out in Appendix I to this circular.

Note:

- (1) According to the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions Business (《關於規範金融機構資產管理業務的指導意見》), asset management products, subject to their investment nature, are classified into fixed-income products, equity products, commodity and financial derivatives products, and hybrid products. Among them, (i) for a fixed-income product, the proportion of investment in deposit, securities, and other debt assets shall not be less than 80%; (ii) for an equity product, the proportion of investment in stock, the shares in unlisted enterprises, and other equities shall not be less than 80%; (iii) for a commodity and financial derivative product, the proportion of investment in commodity and financial derivatives shall not be less than 80%; and (iv) for a hybrid product, the investment is made in debt assets, equities, and commodity and financial derivatives, and the proportion of investment in any of the three types of assets does not reach the standards for the aforesaid three types of products.

OTHER INFORMATION RELATING TO THE STRATEGIC ALLOTMENT TO CONNECTED PERSONS

1. Impact of the A Share Offering and Strategic Allotment to Connected Persons on the shareholding structure of the Company

The Company's 6,821,018,000 Domestic Shares currently in issue will be converted into A Shares on the date of completion of the A Share Offering. For reference and illustration purposes only, assuming that all of the 1,800,000,000 A Shares under the A Share Offering are approved to be issued, among which no more than 33,973,753 A Shares are issued to connected persons of the Company, and no less than 1,766,026,247 A Shares are issued to non-connected persons of the Company, and the share capital of the Company remains unchanged before the completion of the A Share Offering, the

LETTER FROM THE BOARD

shareholding structure of the Company as at the Latest Practicable Date and immediately after the completion of the A Share Offering is as follows:

	As at the Latest Practicable Date	Approximate percentage of issued share capital of the Company	Immediately after the completion of the A Share Offering	Approximate percentage of issued share capital of the Company
	Number of Shares		Number of Shares	
Domestic Shares	6,821,018,000	77.60%	—	—
A Shares (at maximum)	—	—	8,621,018,000	81.41%
A Shares to be converted from				
Domestic Shares in issue	—	—	6,821,018,000	64.41%
- A Shares held by core connected persons ⁽¹⁾	—	—	6,604,426,424	62.37%
- A Shares held by the public	—	—	216,591,576	2.05%
A Shares to be newly issued				
under the A Share Offering ⁽²⁾	—	—	1,800,000,000	17.00%
- A Shares held by connected persons (at maximum)	—	—	33,973,753	0.33%
- A Shares held by the public (at minimum)	—	—	1,766,026,247	16.67%
H Shares ⁽³⁾	1,968,801,000	22.40%	1,968,801,000	18.59%
Total	<u>8,789,819,000</u>	<u>100.00%</u>	<u>10,589,819,000</u>	<u>100.00%</u>

Notes:

- (1) As at the Latest Practicable Date, according to the information publicly available to the Company, and to the knowledge of the Directors, CRSC Corporation Group, the Controlling Shareholder of the Company, held 6,604,426,424 Domestic Shares of the Company, representing approximately 75.14% of the issued share capital of the Company. All of such Domestic Shares will be converted into A Shares upon completion of the A Share Offering;
- (2) As at the Latest Practicable Date, according to the information publicly available to the Company, and to the knowledge of the Directors, no more than 33,973,753 newly issued A Shares under the A Share Offering will be held by connected persons of the Company, and no less than 1,766,026,247 A Shares will be held by the public;
- (3) As at the Latest Practicable Date, according to the information publicly available to the Company, and to the knowledge of the Directors, all of the H Shares are held by the public;
- (4) If the total counts presented in the above statement are slightly inconsistent with the results calculated from the presented relevant individual data, they are all due to the rounding up.

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As at the Latest Practicable Date, according to the information publicly available to the Company, and to the knowledge of the Directors, the public held no less than 22.40% of Shares issued by the Company which is in compliance with the waiver regarding public float obtained by the Company at the initial public offering of H Shares and listing. Assuming that all of the 1,800,000,000 A Shares under the A Share Offering are approved to be issued, among which no more than 33,973,753 A Shares will be issued to connected persons of the Company, and no less than 1,766,026,247 A Shares will be issued to non-connected persons of the Company, it is expected that the percentage of minimum number of newly issued A Shares under the A Share Offering held by the public in the total number of Shares after the A Share Offering will be 16.67%, the percentage of number of H Shares to be held by the public in the total number of Shares after the A Share Offering will be 18.59%, and the percentage of minimum number of Shares held by the public (both A Shares and H Shares in aggregate) will be 37.31% of the total number of the Shares after the A Share Offering.

2. Reasons for Strategic Allotment to Connected Persons and Use of Proceeds

(1) Responding to the requirements of policies and conforming to the macro-environment of state-owned enterprises reform

The Strategic Allotment to certain senior executives and core employees of the Group under the A Share Offering and Listing, including Connected Allotment Participants, is a significant initiative to further deepen the reform of mixed ownership in the context of state-owned enterprises reform, and enhance the vitality of the Company, thus realizing the long-term strategic development of the Company.

(2) Motivating the enthusiasm of core personnel and enhancing technical advantages

The Strategic Allotment not only helps the Company to achieve the integrity of long-term development of the enterprise and the personal interests of core personnel, but also is beneficial for the Company to maintain and expand the technical advantages in the field of rail transit control technology, and in this way, the brand image of scientific and technological innovation of central enterprises can be further established, and the influence of central enterprises on the economic and social development, scientific and technological progress and the improvement of international market competitiveness can be enhanced.

(3) Continuously optimizing shareholding structure and improving governance

Certain senior executives and core employees of the Group, including Connected Allotment Participants, will become Shareholders of the Company in the form of broker collective assets management plans, which will facilitate the diversification of the Company's shareholding structure and improvement of the corporate governance.

The Directors, including the independent non-executive Directors, consider that, given that (1) other than meeting the requirements of the laws and regulations for Qualified Investors, the criteria set by the Company for the Connected Allotment Participants also fully took into account the suitability of the relevant employees and their important roles in operation and management, technology research and development or business development of the Group; (2) the portion of the

LETTER FROM THE BOARD

allotment for the Connected Allotment Participants, calculated according to the actual amount of contributions to the Connected Assets Management Plans by the Connected Allotment Participants within the prescribed period, the size of proceeds to be raised and the maximum number of A Shares proposed to be issued under the A Share Offering, is in compliance with the relevant requirements of laws, regulations and regulatory authorities, and has been approved by the employees' internal decisions of the Company with open and transparent procedures; and (3) with the Strategic Allotment to Connected Persons forming part of the A Share Offering, the number of Shares to be subscribed for by the connected persons under the Strategic Allotment to Connected Persons will take up a relatively small proportion of the number of the A Shares proposed to be issued under the A Share Offering and the enlarged total share capital of the Company, which is not expected to have a material impact on the A Share Offering, and the allotment basis and the criteria for the Connected Allotment Participants of the Strategic Allotment to Connected Persons are fair and reasonable. The terms of the Connected Persons Strategic Allotment Agreement are entered into on normal commercial terms, and are fair and reasonable, and the Strategic Allotment to Connected Persons is in the interests of the Company and the Shareholders as a whole, although it is not in the usual and ordinary course of business of the Company due to the nature of such transaction.

The proceeds obtained by the Company at the issue price shall be put in the use of proceeds from the A Share Offering, that is, investment in advanced and intelligent technology research and development projects, advanced and intelligent manufacturing base projects, information construction projects, and replenishment of working capital.

3. Fund Raising Activities in the Past Twelve Months

The Company has not conducted any fund raising activities involving the issuance of share capital within 12 months immediately preceding the Latest Practicable Date.

4. Implications of the Listing Rules

As the participants of the Connected Assets Management Plans are the directors, supervisors and chief executives of the Company's subsidiaries, the participants of the Connected Assets Management Plans are connected persons of the Company. Therefore, pursuant to Chapter 14A of the Listing Rules, the Strategic Allotment to Connected Persons by the participants of the Connected Assets Management Plans according to the Connected Persons Strategic Allotment Agreement constitutes a connected transaction of the Company and is subject to the requirements of reporting, announcement and the Independent Shareholders' approval under the Listing Rules.

5. Independent Board Committee and Independent Financial Adviser

The Independent Board Committee (consisting of all independent non-executive Directors, Mr. WANG Jiajie, Mr. CHEN Jin'en, Mr. CHAN Ka Keung Peter and Mr. YAO Guiqing) has been established to advise the Independent Shareholders on the Strategic Allotment to Connected Persons. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Strategic Allotment to Connected Persons.

LETTER FROM THE BOARD

6. Opinions of the Board

None of any Directors has material interests in the Strategic Allotment to Connected Persons. Therefore, none of any Directors need to abstain from voting on such Board resolution.

The Directors, including the independent non-executive Directors, consider that the terms of the Connected Persons Strategic Allotment Agreement are entered into on normal commercial terms, and are fair and reasonable, and the Strategic Allotment to Connected Persons is in the interests of the Company and the Shareholders as a whole, although it is not in the usual and ordinary course of business of the Company due to the nature of such transaction.

7. Written Approval from Shareholder for the Strategic Allotment to Connected Persons

On the basis that: (i) to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, if the Company convened a general meeting for the Strategic Allotment to Connected Persons, none of the Shareholders would be required to abstain from voting at the general meeting; and (ii) CRSC Corporation Group, the Controlling Shareholder holding 6,604,426,424 Shares (representing approximately 75.14% of the issued share capital of the Company as at the Latest Practicable Date) of the Company as at the Latest Practicable Date, has given its written approval for the Strategic Allotment to Connected Persons. The Company has applied to the Stock Exchange for the Waiver from compliance with the requirements for the Company to convene a general meeting to approve the Strategic Allotment to Connected Persons in accordance with Rule 14A.37 of the Listing Rules.

On 6 May 2019, the Stock Exchange has granted the Waiver to the Company. Accordingly, the Company will not hold a general meeting to approve the Strategic Allotment to Connected Persons. However, the Stock Exchange may withdraw or change the Waiver if the Company's situation changes.

8. General Information

The Company is a joint stock limited company incorporated in China on 29 December 2010. The main business of the Company includes design and integration, equipment manufacturing and system delivery business for rail transit control system, engineering general contracting business and other businesses.

Established in May 2019, the Connected Assets Management Plans were formulated as broker collective assets management plans for the implementation of Strategic Allotment to Connected Persons with China International Capital Corporation Limited as the manager and China Guangfa Bank Co., Ltd. as the custodian, in accordance with the Company Law, the Implementation Rules, the Guidelines and the provisions of other relevant laws, regulations and regulatory documents.

LETTER FROM THE BOARD

III. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders and the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders as set out in this circular.

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

8 July 2019

* *For identification purpose only.*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



中国通号

中國鐵路通信信號股份有限公司

China Railway Signal & Communication Corporation Limited*

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

(Stock Code: 3969)

To the Independent Shareholders

Dear Sir or Madam,

**STRATEGIC ALLOTMENT TO CONNECTED PERSONS UNDER THE
A SHARE OFFERING**

Reference is made to the circular dated 8 July 2019 (the “**Circular**”) dispatched to the Shareholders of China Railway Signal & Communication Corporation Limited* (the “**Company**”), of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Strategic Allotment to Connected Persons and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the advice of Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Strategic Allotment to Connected Persons as set out in the “Letter From Gram Capital” in the Circular. Having taking into account the advice of Gram Capital, we are of the view that the terms of the Connected Persons Strategic Allotment Agreement are entered into on normal commercial terms, and are fair and reasonable, and the Strategic Allotment to Connected Persons is in the interests of the Company and all the Shareholders as a whole, although it is not in the usual and ordinary course of business of the Company due to the nature of such transaction.

Since the Stock Exchange has granted the Company a Waiver pursuant to Rule 14A.37 of the Listing Rules, the Company is not required to convene a general meeting to approve the Strategic Allotment to Connected Persons.

Yours faithfully,
for and on behalf of the Independent Board Committee

*Independent
non-executive Director*
WANG Jiajie

*Independent
non-executive Director*
CHEN Jin'en

*Independent
non-executive Director*
CHAN Ka Keung Peter

*Independent
non-executive Director*
YAO Guiqing

8 July 2019

* For identification purpose only.

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Strategic Allotment to Connected Persons for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

8 July 2019

To: The independent board committee and the independent shareholders
of China Railway Signal & Communication Corporation Limited*

Dear Sirs,

STRATEGIC ALLOTMENT TO CONNECTED PERSONS UNDER THE A SHARE OFFERING

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Strategic Allotment to Connected Persons, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 8 July 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

References are made to relevant announcements, circulars and prospectus as mentioned in the section headed “STRATEGIC ALLOTMENT TO CONNECTED PERSONS” of the Board Letter, including but not limited to the Proposed A Share Offering Announcements, the Company’s circular dated 26 March 2019 regarding the A Share Offering (the “**March Circular**”) and the Company’s prospectus in relation to the A Share Offering dated 2 July 2019. The special authorization for the A Share Offering was considered and approved by the 2019 first extraordinary general meeting, the 2019 first Domestic Shareholders class meeting and the 2019 first H Shareholders class meeting of the Company on 15 April 2019. The A Share Offering and listing on the SSE STAR Market has been approved by the Listing Committee for the SSE STAR Market on 21 June 2019. The registration of the A Share Offering was consented by the CSRC.

In accordance with the Company Law, 《上海證券交易所科創板股票發行與承銷實施辦法》 (Implementation Rules for the Offering and Underwriting of Stocks on the Science and Technology Innovation Board of the Shanghai Stock Exchange*, the “**Implementation Rules**”), 《上海證券交易所科創板股票發行與承銷業務指引》 (Guidelines for the Offering and Underwriting of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange*) and the provisions of other

LETTER FROM GRAM CAPITAL

relevant laws, regulations and regulatory documents and the Articles of Association, as considered and approved at the Board meeting, as part of the A Share Offering, certain senior executives and core employees of the Company have established broker collective assets management plans and participated in the Strategic Allotment of the A Share Offering in order to subscribe for no more than 10% of the A Shares proposed to be issued under the A Share Offering. Accordingly, on 28 June 2019 (after the trading hours), among other things, the Company entered into the Connected Persons Strategic Allotment Agreement with Connected Assets Management Plans.

With reference to Board Letter, the Strategic Allotment to Connected Persons constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to reporting, announcement and the Independent Shareholders' approval requirement under the Listing Rules. A waiver from compliance with the requirements for the Company to convene a general meeting to approve the Strategic Allotment to Connected Persons in accordance with Rule 14A.37 of the Listing Rules was granted by the Stock Exchange on 6 May 2019. Accordingly, the Company will not hold a general meeting to approve the Strategic Allotment to Connected Persons. However, the Stock Exchange may withdraw or change the Waiver if the Company's situation changes.

The Independent Board Committee comprising Mr. WANG Jiajie, Mr. CHEN Jin'en, Mr. CHAN Ka Keung Peter and Mr. YAO Guiqing (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Strategic Allotment to Connected Persons are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Strategic Allotment to Connected Persons are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/ arrangements or implied understanding with anyone concerning the A Share Offering and the Strategic Allotment to Connected Persons. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Allotment Participants, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the A Share Offering and the Strategic Allotment to Connected Persons. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any A Shares or the Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Strategic Allotment to Connected Persons, we have taken into consideration the following principal factors and reasons:

(1) Background and reasons for the Strategic Allotment to Connected Persons

Business overview of the Group

With reference to the Board Letter, the Company is a joint stock limited company incorporated in China on 29 December 2010. The main business of the Company includes design and integration, equipment manufacturing and system delivery business for rail transit control system, engineering general contracting business and other businesses.

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Set out below is a summary of the audited consolidated financial information on the Group for the two years ended 31 December 2018 as extracted from the Company's annual report for the year ended 31 December 2018 (the "2018 Annual Report"):

	For the year ended 31 December 2018	For the year ended 31 December 2017	Change from 2017 to 2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>%</i>
Total revenue	39,844,006	34,433,683	15.71
Profit attributable to equity owner of the Company	3,501,246	3,310,045	5.78
	As at 31 December 2018	As at 31 December 2017	Change from 2017 to 2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>%</i>
Total assets	79,678,536	61,244,644	30.10
Total equity attributable to equity owner of the Company	28,908,397	24,019,051	20.36

As depicted by the above table, the Group's revenue increased by approximately 15.71% for the year ended 31 December 2018 ("FY2018") as compared to that for the year ended 31 December 2017 ("FY2017"). The Group also recorded an increase in profit attributable to equity owner of the Company of approximately 5.78% in FY2018 as compared to FY2017. According to the 2018 Annual Report, the increase in revenue of the Group's principal businesses was mainly because: (i) the PRC government continued to increase its investments in urban infrastructure construction such as rail transportation, and the Group gave full play to its operating advantages of full industry chain, strengthened high-end operations, and deepened the regional market, leading to a significant increase in orders for rail transit business throughout the year, which further resulted in an increase in revenue; (ii) following the development strategy of "one core business with diversification into related businesses", the Group accelerated its industry layout and actively explored emerging businesses related to rail transportation such as tramcar and Smart Cities, further expanding the Group's revenue scale.

As also disclosed in the 2018 Annual Report, the Group's development trends are as follows:

In terms of railway construction, railway construction is a crucial measure for the country to strengthen its infrastructure to improve weak links and the investment in national railway fixed assets will continue to maintain robust, and railway construction will continue to be promoted scientifically, orderly and steadily. The investment scale in national railway fixed assets in 2019 is expected to be RMB800,000 million, the mileage of new routes which will be commenced operation is planned to be 6,800 km (of which 3,200 km are high-speed railways). With the centralized implementation of railway constructions under "13th FiveYear Plan", the business volume from the Group's signal

LETTER FROM GRAM CAPITAL

system and related equipment will continue to grow. In addition, the Group will keep in step with the rapid growth period of high speed railway operation and maintenance market, strive for the general contracting project of technical upgrading and transformation in train control system, consolidate and expand the new profit growth point brought by the operational and maintenance market. Furthermore, according to Medium- and Long-term Railway Network Plan, while giving priority to making use of the intercity train service function of high-speed railway and normal speed railway, the PRC plans to build intercity passenger railways in urban agglomerations that support and lead the development of new type of urbanization, effectively connect large and medium-sized cities with central towns, and serve commuters, among which, urban agglomerations, such as Beijing-Tianjin-Hebei, Yangtze River Delta, Pearl River Delta, the middle reaches of the Yangtze River, Chengdu-Chongqing, central China, Shandong Peninsula, will be built as intercity railway network; urban agglomerations, such as the west coast of the Taiwan Straits, Harbin-Changchun, Liaozhongnan, Guanzhong and Beibu Gulf will be built as intercity railway skeleton network; urban agglomerations, such as Central Yunnan, Central Guizhou, northern slope of Tianshan Mountain, along the Yellow River in Ningxia and Hohhot-Baotou- Erdos- Yulin will be built as intercity railway backbone channel. With the dominant right of investment and construction of intercity railway delegated to a lower level, the enthusiasm of investing and constructing intercity railway and municipal railway in various provinces and regions become pretty higher. According to the China Transportation White Paper, by 2020, China will have built intercity railway with a mileage of more than 3,000 kilometers. The investment scale will reach RMB1.7-2.0 trillion. The construction of the national intercity railway is expected to keep its sound momentum in 2019. Among them, the Beijing-Tianjin-Hebei, the Yangtze River Delta and the Pearl River Delta are the key areas for the Group to explore the intercity railway market. The Group's good operation record and technical advantages on automated driver control system for intercity railways have laid a good foundation for expansion in the intercity railway market share.

In terms of urban transit, the investment in China's urban transit will continue to maintain a steady growth in the next few years. It is expected that by 2020 China will have completed urban transit and subway of 6,200 kilometers. The urban transit automated control system owned by the Group will benefit from the rapid expansion of market size in urban transit and will become a key point of growth driving business development of the Group. In addition, in the rail transit industry, according to 《國務院辦公廳關於進一步加強城市軌道交通規劃建設管理的意見》(國辦發[2018] 52號) (Suggestions of the General Office of the State Council of the People's Republic of China on Further according to the Strengthening the Management of Urban Rail Transit Planning and Construction (Guo Ban Fa [2018] No. 52)*) published in 2018, the tramcars only need to be examined and approved by the provincial development and reform departments. This policy will greatly promote the rapid development of the tramcar business, and the average annual investment in the field of tramcars will reach RMB100 billion in the next few years. With the entire industrial chain layout including tramcar capital operation, civil construction, electromechanical construction, vehicle production and supply, and communication signal equipment supply, the Group will enjoy strong competitive advantages in the tramcar industry, and the industry will become a crucial strategic development target for the Group.

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In terms of Smart Cities, China has successively issued 《國家新型城鎮化規劃(2014-2020年)》 (National New-type Urbanization Plan for 2014-2020*) and 《關於促進智慧城市健康發展的指導意見》 (The Guidance on Promoting Smart City Sound Development*) and other policies to promote the construction of Smart Cities. It is expected that by 2020, “a group of Smart Cities with distinctive characteristics” will have been built. At present, 290 cities have been selected as pilots for national Smart Cities, and the total investment scale is expected to reach one trillion yuan. The next few years will be the year of centralized implementation, which will bring good market opportunities for the Group to implement its Smart Cities solutions.

In terms of overseas market, as China participates in the reform of the global economic governance system, not only has it enhanced China’s international voice and influence, but it has also brought us new development opportunities. At present, with the in-depth advancement of “One Belt, One Road” initiative and the step of China’s high-speed railway “going global” accelerated, the demand for rail transit construction along the route has become increasingly exuberant, and the cooperation opportunities for overseas railway projects have gradually increased. The Hungary-Serbia, Jakarta-Bandung, China-Laos, China-Thailand Railway and other projects are actively being advanced, and several railway cooperation projects under the “One Belt, One Road” initiative have entered into the stage of planning and approval. In general, the Group is facing a relatively good external market development environment, and overseas markets continue to show sound development momentum.

Information on the Connected Allotment Participants

With reference to the Board Letter, the Company has established the following criteria for the Connected Allotment Participants of the Strategic Allotment to Connected Persons: (i) having served for a term of office at least three years in the Group, or serving as the chairman of board of directors of a tier-2 enterprise of the Group; (ii) serving as the core management, technical and business backbone of the Group; and (iii) meeting the criteria for Qualified Investors to participate in the Connected Assets Management Plan. Connected Allotment Participants only comprise the directors, supervisors and chief executives of the Company’s subsidiaries. None of the Directors, Supervisors, chief executives and their respective associates of the Company will participate in the Strategic Allotment to Connected Persons.

Reasons for and benefits of the Strategic Allotment to Connected Persons

With reference to the March Circular, the Board considers that the A Share Offering will further enrich the Company’s capital base, further optimize its corporate governance structure and develop its domestic and international financing platforms, improve the capital strength and market competitiveness, and constantly enhance the ability of technological innovation and the brand image of the Company. The Board considers that the A Share Offering is in line with the interests of the Company and the Shareholders as a whole, and is beneficial to strengthen the sustainable development of the Company.

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Furthermore, according to the March Circular, the Company intends to use the proceeds from the A Share Offering to invest in advanced and intelligent technology research and development and manufacturing base projects, information construction projects and to replenish working capital. For our due diligence purpose, we noted from 《首次公開發行 A 股股票並上市募集資金用途及可行性分析報告》 (Use of Proceeds from the Initial Public Offering and Listing of A Shares and Feasibility Analysis Report*) of the Company (the “**Feasibility Report**”), among other things, that the proceeds raised from A Share Offering will be utilised to the Company’s principal businesses and is in line with the Company’s strategic development.

With reference to the Board Letter, the benefits of Strategic Allotment to Connected Persons included (i) responding to the requirements of policies and conforming to the macro-environment of state-owned enterprises reform; (ii) motivating the enthusiasm of core personnel and enhancing technical advantages; (iii) continuously optimizing shareholding structure and improving governance.

As mentioned in the Board Letter, as part of the A Share Offering, certain senior executives and core employees of the Company have established broker collective assets management plans and participated in the Strategic Allotment of the A Share Offering in order to subscribe for no more than 10% of the A Shares proposed to be issued under the A Share Offering. There are a total of 572 Allotment Participants who meet the conditions of Allotment Participants and would like to participate in the Strategic Allotment, of which 101 Connected Allotment Participants have established separate broker collective assets management plans to participate in the Strategic Allotment.

The subscription of the Company’s A Shares by the senior management and core employees, including the Connected Participates, indicates their confidence in the Company’s future and its support for the Company’s long-term development, which is beneficial for the Group to expand the capital scale, consolidate the capital strength and seize the strategic opportunities in the increasingly fierce competition so as to ensure the steady and sustainable development of the Group. Such arrangement may also be beneficial for mobilizing such staff’s initiative and establishing and improving the benefit and risk sharing mechanism between them and all of the Shareholders, so as to closely tie their interests and that of the Company together and unite as one to develop the Company, thus enhancing the sustainability and competitiveness of the Company.

Having also considered that (i) the proceeds raised from A Share Offering will be utilised to the Company’s principal businesses and is in line with the Company’s strategic development; (ii) the proposed A Share Offering may, among other things, enhance the Company’s capital strength, the Company’s position in the industry and the Company’s competitiveness in its industry; (iii) the benefit of the subscription by the senior management and core employees (including the Connected Participates) as mentioned above, we consider that although the Strategic Allotment to Connected Persons are not conducted in the ordinary and usual course of business of the Group, the Strategic Allotment to Connected Persons are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

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(2) Principal terms of the Strategic Allotment to Connected Persons

The table below summarises the major terms of the Connected Persons Strategic Allotment Agreement and the Strategic Allotment to Connected Persons, details of which are set out under the section headed “II. STRATEGIC ALLOTMENT TO CONNECTED PERSONS” of the Board Letter:

Participants

The Company has established the following criteria for the Connected Allotment Participants of the Strategic Allotment to Connected Persons: (i) having served for a term of office at least three years in the Group, or serving as the chairman of board of directors of a tier-2 enterprise of the Group; (ii) serving as the core management, technical and business backbone of the Group; and (iii) meeting the criteria for Qualified Investors of the Connected Assets Management Plan.

With reference to the Board Letter, in determining the identities of Connected Allotment Participants, the Directors also considered such participants’ important roles in operation and management, technology research and development or business development of the Group.

We further understood from the Directors, before identifying the proposed participants, the Company offered chances for the participation in the Strategic Allotment to all staffs who, among other things, serves as the core management, technical and business backbone of the Group. After receiving the actual amount of contributions, the Company finalised identities of the Allotment Participants. After that, the Company also finalised Connected Allotment Participants’ identities.

Having considered the following factors,

- (i) according to the Implementation Rules, it is allowed to establish asset management plan for senior managements and core employees to participate the strategic allotment;
- (ii) the Company offered chances for the participation in the Strategic Allotment to all staffs who, among other things, serves as the core management, technical and business backbone of the Group. The qualified staffs (including both connected persons and non-connected persons staff) had same chances to participate in the Strategic Allotment;
- (iii) the benefit of the subscription by the senior management and core employees (including the Connected Participates) as mentioned above, in particular, such arrangement may be beneficial for mobilizing such staff’s initiative and establishing and improving the benefit and risk sharing mechanism between them and all of the Shareholders, so as to closely tie their interests and that of the Company together and unite as one to develop the Company, thus enhancing the sustainability and competitiveness of the Company; and
- (iv) the Connected Allotment Participants’ identities are finalised after the finalising of Allotment Participants’ identities,

we are of the view that the basis of selection criteria to be acceptable.

LETTER FROM GRAM CAPITAL

Detailed identities of Connected Allotment Participants and their respective maximum number and proportion of A Shares to be allotted are set out in Appendix I to the Circular.

Source of Funding

The Connected Allotment Participants shall undertake that they will participate in the Connected Assets Management Plan and the monies payable by them through the Connected Assets Management Plan for the subscription of A Shares to be issued under the Strategic Allotment to Connected Persons shall be sourced their self-owned funds.

Source of Shares and Number of Shares

Shares under the Strategic Allotment to Connected Persons shall be the A Shares to be issued by the Company pursuant to the A Share Offering, with nominal value of RMB1.00 per Share. Such A Shares shall be listed on the SSE STAR Market.

According to the actual amount of contributions to the Connected Assets Management Plans by the Connected Allotment Participants within the prescribed period, the size of proceeds to be raised and the maximum number of A Shares proposed to be issued under the A Share Offering, the total number of Shares to be subscribed for by the Connected Allotment Participants shall not exceed 1.89% of the proposed issue number under the A Share Offering. The subscription amount of any single Connected Allotment Participant in the Strategic Allotment to Connected Persons shall not exceed RMB3 million. The Board was authorized by the Company's 2019 first extraordinary general meeting, the 2019 first Domestic Shareholders class meeting and the 2019 first H Shareholders class meeting to deal with the specific implementation of all matters relating to the A Share Offering and Listing at its sole discretion. The number of A Shares proposed to be issued under the A Share Offering shall be no more than 1,800,000,000 Shares.

We noted from the Implementation Rules, among other things, that it is allowed to establish asset management plan for senior managements and core employees to participate the strategic allotment. Strategic allotment for the aforesaid asset management plan will be not more than 10% of A shares under its initial public offering with a lock-up period of not less than 12 months.

We further understood from the Directors that the maximum number of shares to be allotted to Connected Allotment Participants was calculated based on (i) maximum number of A Shares to be issued under the A Share Offering (i.e. 1,800,000,000 A Shares); (ii) maximum number of A Shares to be issued under the Strategic Allotment (i.e. 180,000,000 A shares, being 10% of the maximum number of A Shares to be issued under the A Share Offering according to requirements of Implementation Rules); (iii) maximum number of A Shares to be issued under the Strategic Allotment to Connected Persons (calculated by (a) proportion of the maximum amount of subscription shares paid by all Connected Allotment Participants to the total maximum amount of subscription shares paid by all Allotment Participants; and (b) maximum number of A Shares to be issued under the Strategic Allotment); and (iv) proportion of the maximum amount of subscription shares paid by each of the Connected Allotment Participants to the total maximum amount of subscription shares paid by all Connected Allotment Participants.

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The investment scopes of the two types of Connected Assets Management Plans (i.e. AM Plan I and AM Plan II as defined below) are equity products^(Note) and hybrid products^(Note), respectively. For calculation purposes only, the maximum amount of subscription shares for equity products shall be 100% of the actual amount of contributions and the maximum amount of subscription shares for hybrid products shall be approximately 80% of the actual amount of contributions.

For our due diligence purpose, we obtained the calculation of maximum number of A Shares proposed to be issued to the Connected Allotment Participants. Based on the calculation, we noted that the maximum number of shares to be allotted to each of the Connected Allotment Participants was in proportion to the actual amount of contributions paid by such person (after considering the effect of investment scopes under the two types of Connected Asset Management Plans). Having considered (i) the aforesaid basis of allocation; (ii) that the maximum number of shares to be allotted to each of the Connected Allotment Participants was in proportion to the actual amount of contributions paid by such person (after considering the effect of investment scopes under the two types of Connected Asset Management Plans); and (iii) that as mentioned below, the Subscription Price to be issued under the Strategic Allotment shall be the same as the issue price of the A Share Offering, we consider that the allotment basis for number of shares to be allotted to Connected Allotment Participants to be acceptable.

Issue Price, Pricing Principles and Payment Methods

The subscription price of the A Shares (the “**Subscription Price**”) to be issued under the Strategic Allotment shall be the same as the issue price of the A Share Offering and shall be paid by the Allotment Participants with their self-owned funds.

The issue price of the A Share Offering will be determined through preliminary inquiries made with the inquiry targets, and the Company and the sponsor institution/the lead underwriters will determine the final issue price through mutual negotiation based on the results of the preliminary inquiries, or by other methods as recognised by the CSRC and the SSE at that time. According to the requirements of state-owned assets supervision and administration, in principle, the issue price of A Shares shall not be lower than the net asset per Share latest available to the Company on the date when determining the issue price of A Shares. In addition, the issue price of A Shares is subject to the relevant requirements of the Listing Rules.

The Connected Assets Management Plans shall, at the request of the lead underwriters, transfer the subscription funds to the account designated by the lead underwriters in one go, which will in turn be transferred to the special proceeds account of the Company together with funds raised from the A Share Offering after deduction of sponsor and underwriting fees and other expenses.

For our due diligence purpose, we noted from the Implementation Rules, the issue price of the initial public offering of shares shall be determined through consultation with professional institutional investors including securities companies, fund management companies, trust companies, finance companies, insurance companies, qualified foreign institutional investors or private equity fund managers; the issuer and the lead underwriter(s) may determine the issue price through initial consultation, or determine the issue price through the book-building process after determining the interval of the issue price by initial consultation.

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As the Strategic Allotment (including the Strategic Allotment to Connected Persons) is part of the A Share Offering, we first searched over the Stock Exchange’s website to identify the proposed initial public offer of A shares to be listed on the SSE STAR Market by mainboard listed companies (excluding by way of spin-off) from 5 November 2018 (being the date of the proposed establishment of the SSE STAR Market as announced by the President of the PRC) to the date of Connected Persons Strategic Allotment Agreement. We identified three companies which met the aforesaid criteria and are exhaustive. We further searched over our findings to identify the proposed participation by the senior managements and core employees to the A shares offering by aforesaid comparables. Details of our findings are set out as followings:

Company	Date of circular regarding the proposed A shares offering	Will senior management and core employees be involved in the subscription of new A shares
Shanghai Haohai Biological Technology Co., Ltd. (6826)	25 February 2019	Yes (only mentioned in its prospectus (submission proof) dated 4 July 2019 that the company’s senior management and core employees may subscribe for the A shares through specific asset management plan and participate in the strategic placing)
Shanghai Junshi Biosciences Co., Ltd. (1877)	27 May 2019	Yes (only mentioned in its circular that the company’s senior management and core employees may subscribe for the A shares through specific asset management plan and participate in the strategic placing, the number of A shares allotted to the specific asset management plan shall not exceed 10% of the total number of shares to be issued under the issue of A shares, and the relevant senior management and/or core employees shall be subject to a lock-up period for not less than 12 months)
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (1349) (“FudanZhangjiang”)	12 March 2019	Yes. Relevant announcement was published on 26 April 2019
The Company	26 March 2019	Yes. Relevant announcement was published on 28 June 2019

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We also noted from the above table that only FudanZhangjiang made similar arrangement to the Strategic Allotment to Connected Persons with detailed announced information as at the Latest Practicable Date. According to FudanZhangjiang's announcement dated 26 April 2019 (the "**FDZJ Announcement**") that a strategic allotment plan formulated by FudanZhangjiang for its senior management and core employees, which had come into force after being considered and approved at the board of directors of FudanZhangjiang meeting held on 26 April 2019. Pursuant to the strategic allotment plan, the subscription price was not fixed at the date of FDZJ Announcement, but it shall be identical to the issue price under its issue of A shares, and will be paid by the participants with their own or self-raised funds. The determination of subscription price under FudanZhangjiang's strategic allotment plan was similar to the determination of Subscription Price under the Strategic Allotment to Connected Persons.

For Shareholders' information purpose, we also summarized key terms of arrangement regarding the Strategic Allotment to Connected Persons and strategic allotment plan for FudanZhangjiang's senior management and core employees as follows:

Company	The Company	FudanZhangjiang
Participants	The Company's subsidiaries' directors, supervisors and chief executives	Mainly the senior management and core employees (including six connected persons)
Number of shares	<p>The total number of Shares to be subscribed by Connected Allotment Participants shall not exceed 1.89% of the proposed issue number under the A Share Offering.</p> <p>The subscription amount of any single Connected Allotment Participant in the Strategic Allotment to Connected Persons shall not exceed RMB3 million.</p>	<p>The total number of shares to be subscribed by connected persons shall not exceed 3.17% of the proposed issue number under the A share offering.</p> <p>The number of A shares to be allotted to anyone of the participants under the strategic allotment plan shall not exceed 10% of the total number for subscription under the strategic allotment plan.</p>
Source of shares	<p>Shares under the Strategic Allotment to Connected Persons shall be the A Shares to be issued by the Company pursuant to the A Share Offering, with a nominal value of RMB1.00 per Share.</p> <p>Such A Shares shall be listed on the SSE STAR Market.</p>	<p>The source of the shares for the strategic allotment plan shall be the ordinary shares with a nominal value of RMB0.1 each in the share capital of FudanZhangjiang to be allotted and issued under the issue of A shares.</p> <p>Such ordinary shares (A shares) will be listed on the SSE STAR Market.</p>

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Company	The Company	FudanZhangjiang
Issue Price	The subscription price of the A Shares to be issued under the Strategic Allotment shall be the same as the issue price of the A Share Offering and shall be paid by the Allotment Participants with their self-owned funds.	The subscription price of the A shares to be allotted under the strategic allotment plan shall be identical to the issue price under the issue of A shares, and will be paid by the participants with their own or self-raised funds.
Basis for determining the issue price	The issue price of the A Share Offering will be determined through preliminary inquiries made with the inquiry targets, and the Company and the sponsor institution/the lead underwriters will determine the final issue price through mutual negotiation based on the results of the preliminary inquiries, or by other methods as recognised by the CSRC and the SSE at that time.	The issue price of the issue of A shares will be determined through market consultation with professional institutional investors including securities companies, fund management companies, trust companies, finance companies, insurance companies, qualified foreign institutional investors or private equity fund managers, or by other methods approved by the securities regulatory authorities.
Lock-up period	The A Shares subscribed by Connected Allotment Participants through Connected Assets Management Plans shall not be transferred within 12 months from the date of completion of the A Share Offering and Listing.	The lock-up period of A shares to be allotted under the strategic allotment plan shall be not less than 12 months (as calculated from the date of listing of its A shares).

Having considered the above factors, including

- (i) that the Subscription Price will be the same as the issue price of the A Share Offering, which will also be available to independent investors; and
- (ii) our findings on FudanZhangjiang's case, in particular, (a) the basis for determining the issue price under the Strategic Allotment to Connected Persons are similar to that under FudanZhangjiang's case; and (b) the issue price under FudanZhangjiang's strategic allotment plan for senior management and core employees was not fixed as at the date of FDZJ Announcement,

we concur with the Directors that it is acceptable that the Subscription Price was not fixed as at the date of the Connected Persons Strategic Allotment Agreement and the basis for the determination of the Subscription Price is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

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Lock-up period

The A Shares subscribed by Connected Allotment Participants through Connected Assets Management Plans shall not be transferred within 12 months from the date of completion of the A Share Offering and Listing. Where the laws, regulations and relevant requirements of the securities regulatory authorities in the places where the Shares of the Company are listed have any other provisions in respect of stock lock-up period, such provisions shall prevail. Connected Allotment Participants shall not transfer the Shares held in the Connected Assets Management Plans during the lock-up period mentioned above in any form.

We noted from the Implementation Rules, among other things, that it is allowed to establish asset management plan for senior managements and core employees to participate the strategic allotment. Strategic allotment for the aforesaid asset management plan will be not more than 10% of A shares under its initial public offering with a lock-up period of not less than 12 months.

As such, we consider that the lock-up period to be acceptable.

Duration Period

The duration period (management period) of the Connected Assets Management Plans shall be ten years from the date of establishment of the Connected Assets Management Plans.

Connected Assets Management Plan

To implement the Strategic Allotment to Connected Persons, the manager, China International Capital Corporation Limited, has established two broker collective assets management plans (the “**AM(CP) Plan(s)**”) for the Strategic Allotment to Connected Persons, which, with the Connected Assets Management Plans as the platform, shall hold the A Shares to be issued under the Strategic Allotment to Connected Persons on behalf of the Connected Allotment Participants after the completion of the A Share Offering. The rights and interests of the A Shares issued under the Strategic Allotment to Connected Persons shall be vested in the Connected Assets Management Plans owned by the Connected Allotment Participants upon completion of the A Share Offering.

For our due diligence purpose, we obtained the two AM(CP) Plans templates and three broker collective assets management plans templates for non-connected allotment participants (the “**AM(I3P) Plan(s)**”, collectively with AM(CP) Plans, the “**AM Plans**”) from the Company. We noted that, save as scope of investment (i.e. AM(CP) Plan I & AM(I3P) Plan I & II: the A Shares (i.e. equity product); AM(CP) Plan II & AM(I3P) Plan III: the A Shares and assets for cash management (i.e. hybrid product)), investment proportion of the asset management scheme, risk levels of the products and minimum requirements of subscription amounts, other key terms are largely the same under the five AM Plans templates.

We noted that People’s Bank of China, the China Banking and Insurance Regulatory Commission, the CSRS, and the State Administration of Foreign Exchange on Regulating the Asset Management Business of Financial Institutions jointly issued 《關於規範金融機構資產管理業務的指導意見》 (Guided Opinion on Regulating the Asset Management Business of Financial Institutions

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Business*, the “**Guided Opinion**”) in March 2018. Pursuant to the Guided Opinion, among other things, the investment made by a qualified investor in a (a) fixed-income product^(Note); (b) hybrid product^(Note); or (c) equity product^(Note), commodity and financial derivative product^(Note), shall not be less than RMB300,000, RMB400,000 or RMB1,000,000 respectively.

In light of that (i) according to the Implementation Rules, it is allowed to establish asset management plan for senior managements and core employees to participate the strategic allotment; (ii) the AM(CP) Plans (among other things, with different minimum requirements of subscription amounts) would provide the Connected Allotment Participants flexibilities to proceed subscription subject to their different risk appetite and cash position; and (iii) other key terms are largely the same under the five AM Plans templates, we consider that such arrangement to be acceptable.

Having considered the above, we are of the view that the terms of the Strategic Allotment to Connected Persons are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

OPINION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Strategic Allotment to Connected Persons are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Strategic Allotment to Connected Persons are not conducted in the ordinary and usual course of business of the Group, the Strategic Allotment to Connected Persons are in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

* For identification purposes only

Note: Pursuant to the Guided Opinion, asset management products, subject to their investment nature, are classified into fixed-income products, equity products, commodity and financial derivative products, and hybrid products. Among them, (i) for a fixed-income product, the proportion of investment in deposit, securities, and other debt assets shall not be less than 80%; (ii) for an equity product, the proportion of investment in stock, the shares in unlisted enterprises, and other equities shall not be less than 80%; (iii) for a commodity and financial derivative product, the proportion of investment in commodity and financial derivatives shall not be less than 80%; and (iv) for a hybrid product, the investment is made in debt assets, equities, and commodity and financial derivatives, and the proportion of investment in any of the three types of assets does not reach the standards for the aforesaid three types of products.

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**DETAILS OF CONNECTED ALLOTMENT PARTICIPANTS
AND NUMBER AND PROPORTION OF SHARES TO BE ALLOTTED**

Number	Name	The position in the Company's subsidiaries constituting an associated relationship	Maximum number of Shares to be allotted (A Shares'0000)	Approximate percentage of the number of A Shares proposed to be issued under the Strategic Allotment to Connected Persons (no more than 33,973.8 thousand Shares)	Approximate percentage of the number of A Shares proposed to be issued under the A Share Offering (no more than 1,800,000.0 thousand Shares)
I. Directors of the Company's Subsidiaries					
1.	CUI Ruitong (崔瑞通)	1. CRSC (Beijing) Rail Industry Group Co., Ltd. (通號(北京)軌道工業集團有限公司): Director 2. Beijing Railway Signal Co., Ltd. (北京鐵路信號有限公司): Director	9.02	0.27%	0.0050%
2.	DAI Xuebing (戴學兵)	1. Casco Signal Ltd. (卡斯柯信號有限公司): Director 2. CRSC Communications Construction Co., Ltd. (通號交通建設有限公司): Supervisor	56.38	1.66%	0.0313%
3.	DENG Hongyuan (鄧紅元)	CRSC Urban Rail Transit Technology Co., Ltd. (通號城市軌道交通技術有限公司): Director	42.28	1.24%	0.0235%
4.	DENG Yi (鄧毅)	CRSC Construction Group Co., Ltd. (通號建設集團有限公司): Director	28.19	0.83%	0.0157%

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5.	FAN Feng (樊峰)	1. CRSC Jishou Tengda Project Management Co., Ltd (吉首通號騰達項目管理有限責任公司): Director and General Manager 2. CRSC Jishou Huatai Pipeline Project Management Co., Ltd (吉首通號華泰管廊項目管理有限責任公司): Director and General Manager	42.28	1.24%	0.0235%
6.	FU Gang (付剛)	Beijing National Railway Research & Design Institute of Signal & Communication Co., Ltd. (北京全路通信信號研究設計院集團有限公司): Director	28.19	0.83%	0.0157%
7.	GUO Xiaoming (郭曉明)	CRSC Urban Rail Transit Technology Co., Ltd. (通號城市軌道交通技術有限公司): Director and General Manager	53.56	1.58%	0.0298%
8.	GUO Yongquan (郭永泉)	CRSC Engineering Group Company Ltd. (通號工程局集團有限公司): Director	84.57	2.49%	0.0470%
9.	HAN Cheng (韓程)	CRSC Guangdong-Hong Kong-Macao (Guangzhou) Transportation Technology Co., Ltd. (通號粵港澳(廣州)交通科技有限公司): Director	9.02	0.27%	0.0050%

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10.	HE Xuan (何瑄)	1. CRSC (Beijing) Rail Industry Group Co., Ltd. (通號(北京)軌道工業集團有限公司): Director and General Manager 2. Shanghai Deuta Electronic & Electrical Equipment Co., Ltd. (上海德意達電子電器設備有限公司): Director	28.19	0.83%	0.0157%
11.	JIANG Xigui (江系貴)	CRSC Innovation Investment Company Ltd. (通號創新投資有限公司): Director	28.19	0.83%	0.0157%
12.	JIANG Lingming (蔣靈明)	CRSC Guangdong-Hong Kong-Macao (Guangzhou) Transportation Technology Co., Ltd. (通號粵港澳(廣州)交通科技有限公司): Director	28.19	0.83%	0.0157%
13.	LAN Qingsuo (蘭慶鎖)	CRSC Engineering Group Company Ltd. (通號工程局集團有限公司): Director	56.38	1.66%	0.0313%
14.	LI Dinglai (李丁徠)	CRSC Guizhou Construction Co., Ltd. (通號建設集團貴州工程有限公司): Director	11.28	0.33%	0.0063%

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15.	LI Kai (李凱)	CRSC (Zhengzhou) Zhong'an Engineering Co., Ltd. (中國鐵路通信信號(鄭州)中安工程有限公司): Director	56.38	1.66%	0.0313%
16.	LI Qun (李群)	CRSC Urban Rail Transit Technology Co., Ltd. (通號城市軌道交通技術有限公司): Director	28.19	0.83%	0.0157%
17.	LI Xianghong (李向紅)	Shanghai Deuta Electronic & Electrical Equipment Co., Ltd. (上海德意達電子電器設備有限公司): Director	9.02	0.27%	0.0050%
18.	LI Xu (李旭)	CRSC Communications Construction Co., Ltd. (通號交通建設有限公司): Director	28.19	0.83%	0.0157%
19.	LI Zuqi (李祖齊)	CRSC Communication & Information Group Company Ltd. (通號通信信息集團有限公司): Director	39.47	1.16%	0.0219%
20.	LIANG Zhongwu (梁中武)	CRSC (Changsha) Railway Traffic Control Technology Company Limited (通號(長沙)軌道交通控制技術有限公司): Director	28.19	0.83%	0.0157%

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21.	LIU Fengshou (劉豐收)	CRSC Hezhou Assembly Construction Co., Ltd. (賀州通號裝配式建築有限公司): Director	28.19	0.83%	0.0157%
22.	LIU Jiaxin (劉佳欣)	CRSC Institute of Smart City Research & Design (通號智慧城市研究設計院有限公司): Director	28.19	0.83%	0.0157%
23.	LIU Jie (劉杰)	Xi'an Railway Signal Co., Ltd. (西安鐵路信號有限公司): Director	28.19	0.83%	0.0157%
24.	LIU Ju (劉局)	Beijing National Railway Research & Design Institute of Signal & Communication Co., Ltd. (北京全路通信信號研究設計院集團有限公司): Director	13.53	0.40%	0.0075%
25.	LIU Sanyou (劉三友)	Beijing Xiandai Signal & Communication Engineering Consultant Ltd. (北京現代通號工程諮詢有限公司): Director and General Manager	9.02	0.27%	0.0050%
26.	LIU Yangqi (劉楊琪)	CRSC Railway Vehicles Co., Ltd. (通號軌道車輛有限公司): Director and General Manager	36.65	1.08%	0.0204%

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27.	LIU Yingjun (劉迎軍)	CRSC Hebei Investment Co., Ltd. (通號河北投資有限公司): Director and General Manager	28.19	0.83%	0.0157%
28.	LUO Hui (羅輝)	CRSC Hezhou Assembly Construction Co., Ltd. (賀州通號裝配式建築有限公司): Director	70.47	2.07%	0.0392%
29.	LUO Xiyuan (羅喜元)	CRSC Construction Group Co., Ltd. (通號建設集團有限公司): Director	33.83	1.00%	0.0188%
30.	MA Honglin (馬紅林)	CRSC (Zhengzhou) Electrification Bureau Co., Ltd. (通號(鄭州)電氣化局有限公司): Director	84.57	2.49%	0.0470%
31.	MA Wenfeng (馬文峰)	1. CRSC Construction Group Co., Ltd. (通號建設集團有限公司): Director and General Manager 2. CRSC Jishou Tengda Project Management Co., Ltd (吉首通號騰達項目管理有限責任公司): Director 3. CRSC Jishou Huatai Pipeline Project Management Co., Ltd (吉首通號華泰管廊項目管理有限責任公司): Director	11.28	0.33%	0.0063%

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32.	MENG Leping (孟樂平)	1. CRSC Innovation Investment Company Ltd. (通號創新投資有限公司): Director 2. CRSC (Zhengzhou) Electrification Bureau Co., Ltd. (通號(鄭州)電氣化局有限公司): Director 3. CRSC (Changsha) Railway Traffic Control Technology Company Limited (通號(長沙)軌道交通控制技術有限公司): Director	56.38	1.66%	0.0313%
33.	SHEN Chunlin (申春林)	Tianjin Railway Signal Co., Ltd. (天津鐵路信號有限責任公司): Director	28.19	0.83%	0.0157%
34.	SHI Changyong (時昌雍)	CRSC Engineering Bureau Group Urban Construction Engineering Co., Ltd. (通號工程局集團城建工程有限公司): Director and General Manager	56.38	1.66%	0.0313%
35.	SONG Zhi (宋志)	CRSC (Xi'an) Rail Industry Group Co., Ltd. (通號(西安)軌道交通工業集團有限公司): Director and General Manager	56.38	1.66%	0.0313%
36.	SU Ming (粟明)	CRSC Railway Vehicles Co., Ltd. (通號軌道車輛有限公司): Director	84.57	2.49%	0.0470%

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**DETAILS OF CONNECTED ALLOTMENT PARTICIPANTS
AND NUMBER AND PROPORTION OF SHARES TO BE ALLOTTED**

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37.	SUN Limin (孫利民)	1. CRSC Construction Group Co., Ltd. Hunan Branch (通號建設集團有限公司湖南分公司): General Manager 2. CRSC Innovation (Tongren) Development Co., Ltd. (通號創新(銅仁)開發有限公司): Director and General Manager	70.47	2.07%	0.0392%
38.	SUN Yong (孫勇)	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): Director	28.19	0.83%	0.0157%
39.	TANG Feng (唐峰)	CRSC Construction Group Co., Ltd. (通號建設集團有限公司): Director	28.19	0.83%	0.0157%
40.	TIAN Haiyan (田海燕)	CRSC (Xi'an) Rail Industry Group Co., Ltd. (通號(西安)軌道交通工業集團有限公司): Director	28.19	0.83%	0.0157%
41.	WAN Baohua (萬寶華)	1. 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): Director 2. Casco Signal Ltd. (卡斯柯信號有限公司): Director	56.38	1.66%	0.0313%

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42.	WANG Ge (王革)	1. CRSC Cables Company Ltd. (通號電纜集團有限公司): Director 2. Jiaozuo Railway Cable Co., Ltd. (焦作鐵路電纜有限公司): Director	22.55	0.66%	0.0125%
43.	WANG Mingzhi (王明志)	CRSC International Holdings Company Ltd. (通號國際控股有限公司): Director	56.38	1.66%	0.0313%
44.	WANG Zhaoshi (王昭仕)	CRSC (Zhengzhou) Electrification Bureau Co., Ltd. (通號(鄭州)電氣化局有限公司): Director	9.02	0.27%	0.0050%
45.	WANG Zhiyuan (王志元)	Shanghai China Railway Communication & Signal Testing Co., Ltd. (上海中鐵通信信號測試有限公司): Director	28.19	0.83%	0.0157%
46.	WU Duoyun (吳多雲)	Tianshui CRSC Tram Co., Ltd. (天水通號有軌電車有限公司): Director	9.02	0.27%	0.0050%
47.	XIA Zaojin (夏早進)	1. CRSC Guizhou Construction Co., Ltd. (通號建設貴州工程有限公司): Director 2. Changsha Construction Design Institute Co., Ltd (長沙市建築設計院有限公司): Director	70.47	2.07%	0.0392%

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48.	XIAO Yong (肖勇)	CRSC (Changsha) Railway Traffic Control Technology Company Limited (通號(長沙)軌道交通控制技術有限公司): Director	42.28	1.24%	0.0235%
49.	XING Yi (邢毅)	Beijing National Railway Research & Design Institute of Signal & Communication Co., Ltd. (北京全路通信信號研究設計院集團有限公司): Director	15.79	0.46%	0.0088%
50.	XU Hongyang (徐紅陽)	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): Director and General Manager	56.38	1.66%	0.0313%
51.	YANG Haidong (楊海東)	Casco Signal Ltd. (卡斯柯信號有限公司): Director and General Manager	28.19	0.83%	0.0157%
52.	YE Zhengbing (葉正兵)	1. CRSC Construction Group Co., Ltd. (通號建設集團有限公司): Director 2. CRSC Guizhou Construction Co., Ltd. (通號建設集團貴州工程有限公司): Director	28.19	0.83%	0.0157%

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53.	YIN Jianping (尹建平)	Beijing National Railway Research & Design Institute of Signal & Communication Co., Ltd. (北京全路通信信號研究設計院集團有限公司): Director	9.02	0.27%	0.0050%
54.	YUAN Fuxiang (袁福祥)	1. CRSC (Beijing) Rail Industry Group Co., Ltd. (通號(北京)軌道工業集團有限公司): Director 2. Shanghai Deuta Electronic & Electrical Equipment Co., Ltd. (上海德意達電子電器設備有限公司): Director	28.19	0.83%	0.0157%
55.	ZHANG Huilin (張惠林)	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): Director	9.02	0.27%	0.0050%
56.	ZHANG Wangping (張旺平)	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): Director	56.38	1.66%	0.0313%
57.	ZHANG Zhengang (張振剛)	Shanghai China Railway Communication & Signal Testing Co., Ltd. (上海中鐵通信信號測試有限公司): Director	28.19	0.83%	0.0157%

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58.	ZHAO Weizhong (趙衛中)	CRSC Engineering Group Co., Ltd. (通號工程局集團有限公司): Director	56.38	1.66%	0.0313%
59.	ZHAO Xiaorong (趙曉蓉)	Shanghai China Railway Communication & Signal Testing Co., Ltd. (上海中鐵通信信號測試有限公司): Director	28.19	0.83%	0.0157%
60.	ZHAO Xuan (趙旋)	Shenyang Railway Communication Co., Ltd. (瀋陽鐵路信號有限責任公司): Director	56.38	1.66%	0.0313%
61.	ZHOU Jianjun (周建軍)	Shanghai China Railway Communication & Signal Testing Co., Ltd. (上海中鐵通信信號測試有限公司): Director	28.19	0.83%	0.0157%
62.	ZHOU Rongsheng (周榮生)	Shanghai Xinhaixin Information Technology Co., Ltd. (上海新海信通信信息技術有限公司): Director	42.28	1.24%	0.0235%
63.	ZHOU Xin (周鑫)	Shanghai Xinhaixin Information Technology Co., Ltd. (上海新海信通信信息技術有限公司): Director	42.28	1.24%	0.0235%
64.	ZHU Ming (朱明)	Shanghai Xinhaixin Information Technology Co., Ltd. (上海新海信通信信息技術有限公司): Director and General Manager	56.38	1.66%	0.0313%

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65.	ZHU Qiulin (朱秋林)	1. Shanghai Railway Communication Co., Ltd. (上海鐵路通信有限公司): Director 2. Shanghai Deuta Electronic & Electrical Equipment Co., Ltd. (上海德意達電子電器設備有限公司): Director	28.19	0.83%	0.0157%
Subtotal of directors of the Company's subsidiaries			2,396.09	70.53%	1.33%

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II. Supervisors of the Company's Subsidiaries					
66.	DENG Yang (鄧楊)	CRSC Guangdong-Hong Kong-Macao (Guangzhou) Transportation Technology Co., Ltd. (通號粵港澳(廣州)交通科技有限公司): Supervisor	9.02	0.27%	0.0050%
67.	HOU Xuyang (侯旭陽)	CRSC Urban Rail Transit Technology Co., Ltd. (通號城市軌道交通技術有限公司): Supervisor	56.38	1.66%	0.0313%
68.	LI Jianqun (李建群)	Beijing Railway Signal Co., Ltd. (北京鐵路信號有限公司): Supervisor	9.02	0.27%	0.0050%
69.	LI Yahong (李亞洪)	CRSC (Xi'an) Rail Industry Group Co., Ltd. (通號(西安)軌道交通工業集團有限公司): Supervisor	28.19	0.83%	0.0157%
70.	LIU Ben (劉犇)	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): Supervisor	28.19	0.83%	0.0157%
71.	LIU Yahong (劉雅紅)	CRSC Cables Company Ltd. (通號電纜集團有限公司): Supervisor	28.19	0.83%	0.0157%

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72.	MO Yanling (莫燕玲)	CRSC Construction Group Co., Ltd. (通號建設集團有限公司): Supervisor	28.19	0.83%	0.0157%
73.	QIU Wei (邱巍)	CRSC Innovation Investment Company Ltd. (通號創新投資有限公司): Supervisor	28.19	0.83%	0.0157%
74.	SUN Huai (孫懷)	CRSC Communication & Information Group Shanghai Company Ltd. (通號通信信息集團上海有限公司): Supervisor	56.38	1.66%	0.0313%
75.	WANG Yin (王印)	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): Supervisor	28.19	0.83%	0.0157%
76.	WU Di (吳鎰)	Beijing National Railway Research & Design Institute of Signal & Communication Co., Ltd. (北京全路通信信號研究設計院集團有限公司): Supervisor	28.19	0.83%	0.0157%

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77.	YAO Xiaohong (姚曉虹)	1. CRSC Construction Group Co., Ltd. (通號建設集團有限公司): Supervisor 2. CRSC Jishou Tengda Project Management Co., Ltd (吉首通號騰達項目管理有限責任公司): Supervisor 3. CRSC Jishou Huatai Pipeline Project Management Co., Ltd (吉首通號華泰管廊項目管理有限責任公司): Supervisor	11.28	0.33%	0.0063%
78.	ZANG Guofu (臧國富)	CRSC (Zhengzhou) Electrification Bureau Co., Ltd. (通號(鄭州)電氣化局有限公司): Supervisor	28.19	0.83%	0.0157%
79.	ZHAO Mingguang (趙明廣)	CRSC Material Group Company Limited (通號物資集團有限公司): Supervisor	42.28	1.24%	0.0235%
80.	ZHOU Hongjun (周洪軍)	1. CRSC Engineering Group Company Ltd. (通號工程局集團有限公司): Supervisor 2. CRSC Engineering Group Company Ltd. Beijing Branch (通號工程局集團有限公司北京分公司): General Manager	28.19	0.83%	0.0157%
Subtotal of supervisors of the Company's subsidiaries			438.06	12.89%	0.24%

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III. General Managers of the Company's Subsidiaries					
81.	CHEN Chunhai (陳春海)	China Railway Signal & Communication Shanghai Engineering Bureau Group Co., Ltd. Beijing Branch (中國鐵路通信信號上海工程局集團有限公司北京分公司): General Manager	28.19	0.83%	0.0157%
82.	HE Jia (何佳)	CRSC Engineering Group Electromechanical Technology Co., Ltd. (通號工程局集團機電技術有限公司): General Manager	15.79	0.46%	0.0088%
83.	HE Huiqian (賀慧潛)	CRSC Construction Group Co., Ltd. Guangzhou Branch (通號建設集團有限公司廣州分公司): General Manager	28.19	0.83%	0.0157%
84.	JIA Enrong (賈恩榮)	CRSC Communications Construction Co., Ltd. Beijing Branch (通號交通建設有限公司北京分公司): General Manager	28.19	0.83%	0.0157%
85.	JIANG Xin (蔣新)	Shanghai Zhong Tie Communication Signal International Engineering Co., Ltd. (上海中鐵通信信號國際工程有限公司): General Manager	28.19	0.83%	0.0157%

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86.	JIN Guanghong (金廣宏)	CRSC Engineering Group Co., Ltd. Tianjin Branch (通號工程局集團天津分公司): General Manager	20.30	0.60%	0.0113%
87.	LI Hong (李宏)	China Railway Signal & Communication Shanghai Engineering Bureau Group Co., Ltd. Guangzhou Branch (中國鐵路通信信號上海工程局集團有限公司廣州分公司): General Manager	28.19	0.83%	0.0157%
88.	LI Xiaobing (李笑冰)	Xi'an Railway Signal Co., Ltd. (西安鐵路信號有限責任公司): General Manager	42.28	1.24%	0.0235%
89.	LIU Dong (劉東)	CRSC Engineering Group Electric Engineering Co., Ltd. (通號工程局集團電氣工程有限公司): General Manager	28.19	0.83%	0.0157%
90.	LIU Jianfeng (劉劍峰)	CRSC (Beijing) Bid Ltd. (通號(北京)招標有限公司): General Manager	28.19	0.83%	0.0157%
91.	PENG Ju (彭舉)	Tianjin Railway Signal Co., Ltd. (天津鐵路信號有限責任公司): General Manager	28.19	0.83%	0.0157%

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92.	WANG Xihai (王習海)	CRSC Communication & Information Group Company Ltd. Shanghai Branch (通號通信信息集團有限公司上海分公司): General Manager	20.30	0.60%	0.0113%
93.	XIE Desheng (謝德勝)	China Railway Signal & Communication Shanghai Engineering Bureau Group Co., Ltd. Jinan Branch (中國鐵路通信信號上海工程局集團有限公司濟南分公司): General Manager	28.19	0.83%	0.0157%
94.	XU Haojie (徐豪杰)	China Railway Signal & Communication Shanghai Engineering Bureau Group Co., Ltd. Wuhan Branch (中國鐵路通信信號上海工程局集團有限公司武漢分公司): General Manager	56.38	1.66%	0.0313%
95.	YANG Zhi (楊志)	Casco Signal (Beijing) Ltd. (卡斯柯信號(北京)有限公司): General Manager	33.83	1.00%	0.0188%

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96.	YAO Linhan (腰林漢)	Shanghai Railway Communication Co., Ltd. (上海鐵路通信有限公司): General Manager	28.19	0.83%	0.0157%
97.	ZHANG Liancheng (張連成)	Zhongyuan Railway Engineering Co., Ltd. Electrical Branch (中原鐵道工程有限責任公司電務分公司): General Manager	9.02	0.27%	0.0050%
98.	ZHAO Huaidong (趙懷東)	Beijing Railway Signal Co., Ltd. (北京鐵路信號有限公司): General Manager	9.02	0.27%	0.0050%
99.	ZHOU Na (周娜)	China Railway Signal & Communication Shanghai Engineering Bureau Group Co., Ltd. Qingdao Branch (中國鐵路通信信號上海工程局集團有限公司青島分公司): General Manager	28.19	0.83%	0.0157%
100.	ZHOU Shengzhu (周升柱)	CRSC Hebi Sponge City Investment Construction Management Co., Ltd. (通號鶴壁海綿城市投資建設管理有限公司): General Manager	18.04	0.53%	0.0100%

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101.	ZHU Xiaoya (朱小亞)	China Railway Signal & Communication Shanghai Engineering Bureau Group Co., Ltd. Xi'an Branch (中國鐵路通信信號上海工程局集團有限公司西安分公司); General Manager	28.19	0.83%	0.0157%
Subtotal of general managers of the Company's subsidiaries			563.22	16.58%	0.31%
Total			3,397.38	100.00%	1.89%

Notes:

- (1) If the same connected person concurrently serves as a director, supervisor or general manager of subsidiaries of the Company, he/she should be counted as a director of the Company's subsidiaries; and if the same connected person concurrently serves as a supervisor or general manager of subsidiaries of the Company, he/she should be counted as a supervisor of the Company's subsidiaries;
- (2) Listed in no particular order, the above rankings are arranged in alphabetical order of names in each category of directors of the Company's subsidiaries, supervisors of the Company's subsidiaries and general managers of the Company's subsidiaries;
- (3) If the total counts presented in the above statement are slightly inconsistent with the results calculated from the presented relevant individual data, they are all due to the rounding up.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY**

As at the Latest Practicable Date, 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 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 recorded 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 (nature of interest)	Approximate percentage of Shares in the relevant class of Shares	Approximate percentage of Shares in the total issued Shares
China Railway Signal and Communication (group) Corporation Limited	Domestic Shares	Beneficial owner	6,604,426,424 (Long position)	96.82%	75.14%
National Council for Social Security Fund of the PRC	H Shares	Beneficial owner	176,952,000 (Long position)	8.99%	2.01%
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%

APPENDIX II
STATUTORY AND GENERAL INFORMATION

Name of Shareholder	Class of Shares	Capacity	Number of Shares held (nature of interest)	Approximate percentage of Shares in the relevant class of Shares	Approximate percentage of Shares in the total issued Shares
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%
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%
Guangdong Finance Investment International Co., Ltd. ⁽⁴⁾	H Shares	Beneficial owner	98,331,000 (Long position)	4.99%	1.12%
Guangdong Yuecai Investment Holdings Limited (廣東粵財投資控股有限公司) ⁽⁴⁾	H Shares	Interests in a controlled corporation	98,331,000 (Long position)	4.99%	1.12%
BlackRock, Inc. ⁽⁵⁾	H Shares	Interests in a controlled corporation	118,424,918 (Long position)	6.02%	1.35%

Notes:

As at the Latest Practicable Date, 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 had interests in such Shares through China Shipping (Hong Kong) Holdings Co., Limited.
- (2) Shanghai Zhenhua Heavy Industries Co., Ltd. had interests in such Shares through Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited.
- (3) China Railway Engineering Corporation had interests in such Shares through China Railway Group Limited, China Railway International Group Co., Limited and China Railway Group Investment (Hong Kong) Limited.
- (4) Guangdong Yuecai Investment Holdings Limited (廣東粵財投資控股有限公司) had interests in such Shares through Guangdong Finance Investment International Co., Ltd.
- (5) BlackRock, Inc. had interests in such Shares through the corporations it directly or indirectly held.

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

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, 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/she 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 recorded in the register referred to therein, or will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors, Supervisors or chief executives (including their spouse or any child under the eighteen years old) was granted by the Company any right to subscribe for the Shares or debentures of the Company or its associated corporations.

3. COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors and their respective associates had any interest in a business which competes or is likely to compete with the business of the Group.

4. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors or the Supervisors:

- (a) had any direct or indirect interest in any assets acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the settlement date of the latest audited consolidated financial statements issued by the Group; or
- (b) was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

5. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or operation position of the Group since 31 December 2018, being the settlement date of the latest audited consolidated financial statements issued by the Group.

6. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at the Latest Practicable Date, 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 terminable by the relevant employer within one year without payment of compensation (other than statutory compensation)).

7. DIRECTORS' AND SUPERVISORS' POSITIONS IN SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, the following Directors and Supervisors of the Company were in the employment of those companies which had interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name	Main Position in the Group	Position in the specific company
Mr. ZHOU Zhiliang	Chairman and executive Director of the Company	Chairman of CRSC Corporation Group
Mr. YIN Gang	Executive Director and president of the Company	Director and general manager of CRSC Corporation Group
Mr. YANG Yongsheng	Executive Director of the Company	Employee director of CRSC Corporation Group

8. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any material litigation or claims. To the knowledge of the Directors, no member of the Group had any pending or threatened material litigation or claims.

9. MATERIAL CONTRACTS

During the two years prior to the date of this circular, neither the Group nor any of its subsidiaries had entered into any material contracts (except those entered into in the Group's daily business).

10. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given advice and recommendations which are contained in this circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Gram Capital issued a letter dated 8 July 2019 in respect of its recommendation to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation in this circular. As at the Latest Practicable Date, Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter in this circular, and the references to its name and opinion in the form and context in which they appear.

11. EXPERT'S INTERESTS

As at the Latest Practicable Date, Gram Capital:

- (a) did not have any direct or indirect interest in any assets acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the settlement date of the latest audited consolidated financial statements issued by the Group; and
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any working day (public holidays excepted) at the Company's principal place of business in Hong Kong at 40th Floor, Sunlight Tower, 248 Queen's Road East, Wan Chai, Hong Kong for a period of 14 days (including the day) from the date of this circular:

- (a) the Connected Persons Strategic Allotment Agreement;
- (b) the letter from the Independent Board Committee as set out in page 17 of this circular;
- (c) the letter from Gram Capital as set out in pages 18 to 32 of this circular;
- (d) the written consent of Gram Capital referred to in the paragraph headed "10. Expert's Qualification and Consent" above; and
- (e) this circular.

13. GENERAL INFORMATION

- (a) The joint company secretaries of the Company are Mr. HU Shaofeng and Ms. NG Wing Shan. Ms. NG Wing Shan is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.
- (b) The registered address of the Company is 20/F, CRSC Building A, 1 Compound, Automobile Museum South Road, Fengtai District, Beijing, PRC. Our principal place of business in Hong Kong is 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.
- (c) The H share registrar of the Company is Computershare Hong Kong Investor Services Limited located at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) In the event of any inconsistency, the English version of this circular shall prevail over the Chinese version.