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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)

PROPOSED CHANGE IN THE USE OF PROCEEDS RAISED FROM H SHARES

The board of directors (the “**Board**”) of China Railway Signal & Communication Corporation Limited* (中國鐵路通信信號股份有限公司) (the “**Company**”) hereby announces that the Board held a board meeting on 25 March 2020. At the meeting, the Board reviewed and approved, among other things, the resolution regarding the proposed change in the use of proceeds raised from H shares.

Basic information of proceeds raised from H shares

Reference is made to the “Future Plans and Use of Proceeds” section of the Company’s H share prospectus dated 28 July 2015 (the “**Prospectus**”), which set out various proposed uses of the net proceeds from the Company’s global offering (the “**proceeds raised**” or “**proceeds raised from H shares**” or “**proceeds**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Prospectus.

The Company has been listed on the Stock Exchange since 7 August 2015. The proceeds (net of Stock Exchange trading fee, SFC transaction levy, registration fee of Computershare Hong Kong Investor Services and fees charged by the receiving banks) received by the Company amounted to approximately HK\$11,275 million, among which: settled foreign exchange was HK\$10,000 million (equivalent to RMB8,247 million) and the retained foreign exchange was HK\$1,275 million.

Based on the disclosure in the “Future Plans and Use of Proceeds” section of the Prospectus, the proceeds raised are mainly used for the following specific purposes:

- (1) approximately 30% of the net proceeds from the Global Offering will be used for long-term R&D, among which, 72% will be used on the R&D investment for railway and urban transit control systems and the establishment of relevant research centers, 15% on the R&D of communication information technology, 7% on the R&D of modern tram technologies and the rest 6% on others.
- (2) approximately 20% of the net proceeds from the Global Offering will mainly be used for fixed asset investments, including relocation of current production bases and upgrade of equipment, expansion of business into fields such as Smart Cities and electronic information.
- (3) approximately 20% of the net proceeds from the Global Offering will be used for general domestic and overseas acquisitions.

- (4) not more than 20% of the net proceeds from the Global Offering will be used for investment in rail transportation PPP projects that are in compliance with the government policies.
- (5) not more than 10% of the net proceeds from the Global Offering will be used to supplement working capital.

The proceeds raised from H shares amounted to approximately RMB9,104 million. As of 31 December 2019, a total of RMB5,862 million of proceeds raised from H shares has been used, of which RMB2,731 million was used in long-term research and development, including the construction of the CRSC Railway Transportation Research Center and technology research projects; RMB1,430 million was used in the fixed asset investments, including the technical overhaul of CRSC Xi'xin, the Company's subsidiary, and Changsha Industrial Park; RMB108 million was used in general equity acquisition; RMB693 million was used in investment of Tianshui Tramcar project and other PPP projects related to railway transportation; and RMB900 million was used to supplement working capital. The aforesaid use of proceeds is consistent with the use of proceeds as disclosed in the Prospectus.

Apart from the aforesaid use of funds, as of 31 December 2019, the Company's remaining proceeds raised from H shares amounting to RMB3,242 million have not been used and have been deposited in the Company's designated bank account for proceeds. The funds in the designated account for proceeds, which have not been withdrawn, are expected to be used up in the coming three years, of which RMB391 million will be used for fixed asset investments, RMB1,713 million will be used for equity acquisition, RMB1,128 million will be used for investments in PPP projects related to railway transportation and RMB10 million will be used to supplement working capital. The Company confirms that the aforesaid proposed use of the proceeds is consistent with the use of proceeds as disclosed in the Prospectus.

Proposed change in the use of proceeds raised from H shares

Based on the interests of the Company and its shareholders as a whole and in light of market conditions and the Company's business needs, the Company, for the sake of enhancing the efficiency and effectiveness of capital utilization, intends to change the portion of the proceeds of RMB1,713 million allocated for equity acquisition to general domestic and overseas purposes (the "**Proposed Change**"). In the event that there are suitable acquisitions of equity interests in the future, the Company shall still use its own funds directly for the acquisitions, and the Company's merger and acquisition strategy will not be affected because of the change in the use of proceeds raised. Save for the above Proposed Change, there will be no other changes in the use of the Company's net proceeds from the Global Offering.

Reasons for the proposed change in the use of proceeds raised from H shares

The above Proposed Change will enable the Company to deploy financial resources in a more efficient manner, which will help the Company to flexibly deploy its business development in accordance with changes in market conditions.

The Board confirms that there are no material changes in the nature of the Group's business as set out in the Prospectus, and that the Proposed Change is in the best interests of the Company and its shareholders as a whole.

Miscellaneous

The Proposed Change shall become effective upon the approval at the general meeting of the Company. A circular containing, among other things, details of the Proposed Change and the notice of the general meeting of the Company will be despatched to shareholders in due course.

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

Beijing, the PRC
25 March 2020

As of the date of this announcement, the executive directors of the Company are Mr. ZHOU Zhiliang, Mr. XU Zongxiang and Mr. YANG Yongsheng, and the independent non-executive directors of the Company are Mr. WANG Jiajie, Mr. CHEN Jin'en, Mr. CHAN Ka Keung Peter and Mr. YAO Guiqing.

* *For identification only*