

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(A joint stock limited liability company incorporated in the People's Republic of China)
(Stock Code: 03969)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the “Board”) of China Railway Signal & Communication Corporation Limited* (中國鐵路通信信號股份有限公司) (the “Company”) hereby announces the audited annual results of the Company and its subsidiaries for the year ended 31 December 2015. This announcement is in compliance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany the preliminary announcement of annual results.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND
ANNUAL REPORT

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

The 2015 annual report will be dispatched to the Company’s H shareholders in due course and will be published on the aforesaid websites of the Company and The Stock Exchange of Hong Kong Limited.

DIVIDEND DISTRIBUTION

The Board has proposed to distribute dividends from July 2015 to December 2015 (the “Final Dividend”) to the domestic shareholders and H shareholders (the “Shareholders”) whose names appear on the register of members of the Company on the record date to be specified in the notice of 2015 annual general meeting to be published by the Company in due course a cash dividend of RMB0.025 (tax inclusive) per share. The 2015 final dividend to be distributed will be denominated and announced in RMB, of which domestic shareholders will be paid in RMB and H shareholders will be paid in HK dollars. The exchange rate of HK dollars will be calculated in accordance with the average forex closing price published by the People’s Bank of China for the three working days before the day the dividend distribution announcement is made (inclusive of the day of the dividend distribution announcement). Such final dividend will be distributed on or before 30 June 2016. The above profit distribution plan is subject to approval at the 2015 annual general meeting of the Company.

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

Beijing, the People’s Republic of China, 28 March 2016

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

** For identification only.*

CONTENTS

Chairman's Statement	2
Corporate Information	4
Financial Highlights	6
Management Discussion and Analysis	7
Report of the Directors	21
Significant Events	42
Changes in Share Capital and Information of Shareholders	44
Corporate Governance Report	45
Directors, Supervisors and Senior Management and Employee	67
Consolidated Statement of profit or Loss and other Comprehensive Income	78
Consolidated Statement of Financial Position	79
Abstracts of Notes to Consolidated Financial Statements	81
Definition and Glossary of Technical Terms	93

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

In 2015, the concluding year of the 12th Five-Year Plan, we achieved success in Listing and remarkable results by exploring on the market and strengthening our management fundamentals through innovations.

Our economic results reached a record high. Staying highly-motivated under pressure, we vigorously expanded market niche, innovated in business model and improved cost efficiency in a great effort to boost business performance. During the year, the total value of our newly signed contracts amounted to RMB37.82 billion, a year-on-year increase of 24.4%, including: RMB14.6 billion railway-related contracts (a year-on-year increase of 6.8%), RMB9.92 billion contracts in urban rail transportation sector (a year-on-year increase of 209.1%) and RMB1.13 billion overseas contracts (a year-on-year increase of 57.6%). Our operating revenue and profit before tax for the year totaled RMB23.95 billion and RMB3.14 billion, up by 38.2% and 27.1% over the preceding year respectively and both hitting record highs. In merely half a year since our Listing, we stood out from peers with good recognition in the market. We won the award of "Listed Company with the Best Brand Value" among the Golden Bauhinia Awards of China Securities sponsored by Ta Kung Pao, and the title of "Best Investment Value Award" among the "Deals of 2015 among Chinese Listed Companies" organized by the prestigious financial magazine Chinese Venture.

Our market operations were quite fruitful. We won bids for a number of major railway projects including Shijiazhuang-Jinan Passenger Dedicated Line and Yunnan-fuizhou High-Speed Rail, maintaining a leading position in the existing market. We won the bids for Shanghai Metro Line 17 and Chongqing Metro Line 5 by virtue of our CBTC system with proprietary intellectual property rights. We carried out strategic cooperation with provincial and municipal governments in Guangdong, Henan and other provinces to vigorously expand emerging markets and business.

Our technological strength continued to improve. We proactively participated in national and industry development planning, facilitating the applications and promotion of our proprietary CBTC system and signal & communication agile operation and maintenance system. During the year, we were granted 112 patents and 13 science awards at provincial or ministerial level or above, including the National Special Award for Science and Technology Progress granted to Beijing-Shanghai High-Speed Rail to which the Company was a contractual party, and the First Prize of Scientific and Technology Award granted by China Railway Society to our three technology applications.

We sustained consistent performance of quality safety. Over the past year, we constantly integrated and optimized our quality safety control system to improve its efficiency, fully implemented the quality safety accountability system by breaking down relevant targets and responsibilities, and put quality safety procedures under tight control to keep improving our quality safety assurance.

We stepped up our transformation and upgrading paces. We standardized our product commercialization technology and manufacturing processes to achieve economy of scale and synergies. Through mergers and acquisitions, we rapidly established the tramcar manufacturing capability and improved our presence across the whole value chain of the tram sector. We partnered with Zhengzhou Railway Bureau to establish Electrification Engineering Bureau, a joint venture integral to our complete industry chain covering "communication, signal, electric power and electrification engineering". We seized the opportunities in emerging businesses such as smart city, information consumption and "Internet Plus" to extend our footprints in smart city business and information markets.

CHAIRMAN'S STATEMENT

Looking ahead, China has announced its 13th Five-Year Plan which sets forth the blueprint of its railroad network. The additional 30,000 kilometers of railway under the 13th Five-Year Plan are to include over 12,000 kilometers of high-speed rails, as well as over 10,000 kilometers of intercity railways which have emerged as a new investment hotspot. In the next five years, the total length of urban rail transportation systems will reach nearly 10,000 kilometers. Tram networks are scheduled to be deployed in more than 100 cities with a total estimated length of over 5,000 kilometers in next five years. Moreover, the total investment in information-related sectors including smart city, Internet Plus, Big Data, cloud computing and 5G technologies is expected to exceed RMB3 trillion. As for overseas markets, the State is vigorously carrying out the “One Belt One Road” initiative and the “Going Global” strategy for its railway arm, thus creating tremendous room for overseas market development. Overall, we are still in a favorable market environment with attractive opportunities.

In 2016, an opening year of the 13th Five-Year Plan, we as a dedicated team with strong confidence will, as always, focus on development quality and efficiency to establish rational presence in domestic and overseas markets, optimize business portfolio and product mix, and keep improving technological innovation capability in light of the safety development philosophy. We are committed to giving back to the society, shareholders and employees with better growth and performance.

Chairman

ZHOU Zhiliang

March 28, 2016

CORPORATE INFORMATION

LEGAL NAME OF THE COMPANY:

中國鐵路通信信號股份有限公司

OFFICIAL ENGLISH NAME OF THE COMPANY:

China Railway Signal & Communication Corporation Limited*

DIRECTORS

Executive Directors

Mr. ZHOU Zhiliang (*Chairman*)
Ms. LI Yanqing (*Vice Chairwoman*)
Mr. YIN Gang (*President*)

Independent Non-executive Directors

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

SUPERVISORS

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

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

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

BOARD COMMITTEES

Strategy and Investment Committee

Mr. ZHOU Zhiliang (*Chairman*)
Ms. LI Yanqing
Mr. WANG Jiajie
Mr. CHEN Jin'en
Mr. GAO Shutang

Remuneration and Evaluation Committee

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

Audit and Risk Management Committee

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

Nomination Committee

Mr. CHEN Jin'en (*Chairman*)
Ms. LI Yanqing
Mr. WANG Jiajie

Quality and Safety Committee

Mr. YIN Gang (*Chairman*)
Ms. LI Yanqing
Mr. GAO Shutang

REGISTERED OFFICE

B 49 Xisihuan South Road
Fengtai District
Beijing, PRC

* For identification only

CORPORATE INFORMATION

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

STOCK ABBREVIATION AND STOCK CODE

CHINA CRSC (03969)

H SHARE REGISTRAR

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

COMPANY WEBSITE

www.crsc.cn

INVESTOR RELATIONS

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

COMPLIANCE ADVISOR

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

LEGAL ADVISERS

Hong Kong Legal Adviser

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

PRC Legal Adviser

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

AUDITORS

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

FINANCIAL HIGHLIGHTS

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

Unit: RMB'000 (except for percentages)

	2015	2014	Increase/ (Decrease) (%)
Revenue	23,951,553	17,328,643	38.2
Profit attributable to equity owner of the Company	2,496,403	2,033,469	22.8
Net cash flow from operating activities	2,763,329	1,190,816	132.1
Basic earnings per share (RMB/share)	0.32	0.29	10.3
Diluted earnings per share (RMB/share)	0.32	0.29	10.3
Weighted average rate of return on net assets (%)	16.3	18.2	Decrease of 1.9 percentage points
	31 December 2015	31 December 2014	Increase/ (Decrease) (%)
Total assets	41,992,159	28,576,548	46.9
Total liabilities	22,256,977	16,101,249	38.2
Total equity attributable to equity owner of the Company	18,843,289	11,663,725	61.6

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In 2015, under the backdrop of a complicated and uncertain economy, the Group responsively adapted to the economic development new normal by adhering to technological innovation and proactively pushed forward market expansion. It also innovated its business model and adjusted the structure of product and industry while strengthening its management capability and cost efficiency and upgrading development quality, thereby achieving a new breakthrough in corporate efficiency.

During the reporting period, the Group continued to maintain the growth momentum of its operating results, and recorded a revenue of RMB23,951.6 million for the whole year, an increase of RMB6,623.0 million or 38.2% compared to last year. Profit before tax was RMB3,144.2 million, an increase of RMB671.3 million or 27.1% compared to last year; profit attributable to equity shareholders of the Group was RMB2,496.4 million, an increase of 22.8% compared to last year. During the reporting period, there were no material changes to the composition or sources of the profit of the Group.

FINANCIAL REVIEW

I. Analysis on Principal Business

Analysis of changes in the relevant items of the income statement

Unit: RMB million (except for percentages)

	2015	2014	Increase/ (Decrease) (%)
Revenue	23,951.6	17,328.6	38.2
Cost of sales	(17,936.9)	(13,134.0)	36.6
Other income and gains	706.8	756.9	(6.6)
Selling expenses	(646.6)	(458.6)	41.0
Administrative expenses	(2,826.6)	(2,158.3)	31.0
Finance costs	(51.8)	(14.7)	252.4
Profit before tax	3,144.2	2,472.9	27.1
Income tax expense	(520.7)	(433.0)	20.3
Profit for the year	2,623.5	2,039.9	28.6

Revenue

Revenue of the Group increased 38.2% year-on-year, with design and integration, equipment manufacturing, system implementation and other businesses accounting for 24.3%, 28.8%, 31.1% and 15.8% respectively of the total revenue. The main reason for the increase in revenue of our three principal business lines are: (i) the increase in the number of orders and business scale due to the rapid development in the rail transportation industry in China, resulting in an increase in revenue, and (ii) the Group persisted in the strategy by focusing on one major business area and diversifying into related businesses in 2015. By proactively gaining market shares in different areas and adjusting and enhancing industry and product structure, the operating revenue of all business sectors achieved satisfactory growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of orders

During the reporting period, New orders entered into by the Group amounted to RMB37,824.0 million, representing an increase of 24.4% compared with RMB30,413.2 million last year. As at the end of the reporting period, performing contracts amounted to RMB35,633.9 million. New orders of domestic rail transportation business grew steadily in the reporting period as overseas businesses grew rapidly, with annual export contracts amounting to US\$185.2 million, an increase of 57.6% compared to last year.

Analysis of the impact of new products and services

During the reporting period, the Group persisted in pursuing independent innovation in core technologies and accelerating the industrialization process of the achievements of technological research. It facilitated the application of the proprietary CBTC system for urban rail transportation and the commercial use of the achievements of C2+ATO train control system for intercity railway. It also initiated the R&D and promotion of system technologies including the high sensitivity operation and maintenance system for signals and communications, ultra-high-speed network, system upgrade for modern tram and location network. It signed new product and new service contracts with a total amount of RMB3,240.0 million, and the output value of its new products amounted to RMB2,313.1 million.

Other income and gains

During the reporting period, the Group had other income and gains of RMB706.8 million, an decrease of 6.6% compared to last year, mainly attributable to an increase in net investment gains arising from an acquisition in 2014, resulting in an increase in other income and gains of the Group for that year, while no such gain was recorded in 2015.

Cost of sales

During the reporting period, the cost of sales of the Group amounted to RMB17,936.9 million, an increase of 36.6% compared to last year, lower than the growth in revenue. In 2015, the gross profit margin of the Group was 25.1%, representing an increase of 0.9 percentage point compared with 24.2% last year, mainly due to an increase in cost of sales arising from business development. However, the Group focused on promoting cost efficiency and enhancing quality, resulting in a further improvement of the gross profit margin.

Selling and administrative expenses and finance costs

During the reporting period, the three expense items of the Group amounted to RMB3,525.0 million, representing an increase of 33.9% or RMB893.4 million compared with RMB2,631.6 million for the corresponding period of the previous year. The three expense items accounted for 14.7% of the revenue, representing a decrease of 0.5 percentage point compared with 15.2% for the corresponding period of the previous year, among which: (i) the selling expense of RMB646.6 million recorded a year-on-year increase of 41.0%, mainly due to an increase in selling expense arising from business development; (ii) the administrative expense of RMB2,826.6 million recorded a year-on-year increase of 31.0%, mainly due to increased R&D investment; and (iii) the finance costs of RMB51.8 million recorded a year-on-year increase of 252.4%, mainly due to an increase in interest expense due to borrowings during normal production operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit before Tax

As a result of the foregoing, During the reporting period, the Group's profit before tax was RMB3,144.2 million, an increase of 27.1% compared to last year.

Income Tax Expense

During the reporting period, the Group paid income tax expense of RMB520.7 million, an increase of 20.3% compared to last year. The effective tax rate of the Group was 16.6%, 0.9 percentage point lower year-on-year, mainly due to (i) an increase in the proportion of total profit before tax entitled to a lower tax rate under preferential policies for high technology enterprises after the Group carried out the acquisition in 2014, lowering the effective tax rate; (ii) the corresponding increase in the permitted additional amount of deduction of R&D cost as a result of the continued increase in R&D investment of the Group, resulting in a corresponding decrease in the effective tax rate for income tax.

Net Profit for the year

As a result of the foregoing, during the reporting period, the Group had net profit of RMB2,623.5 million for the year, an increase of 28.6% compared to last year.

II. Results on Business Lines

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

Unit: RMB million (except for percentages)

Results on business lines	Revenue	Cost of sales	Gross profit margin (%)	Increase/ (Decrease) in revenue compared to last year (%)	Increase/ (Decrease) in cost of sales compared to last year (%)	Increase/ (Decrease) in gross profit margin compared to last year Percentage point
Design and integration	5,808.4	3,651.8	37.1	18.3	11.5	3.8
Equipment manufacturing	6,903.3	4,443.9	35.6	17.6	12.4	3.0
System implementation	7,438.2	6,654.0	10.5	38.6	37.0	1.0
Other businesses	3,801.7	3,187.2	16.2	221.9	204.3	4.9
Total	23,951.6	17,936.9	25.1	38.2	36.6	0.9

MANAGEMENT DISCUSSION AND ANALYSIS

Design and integration: revenue from the design and integration business is mainly derived from the provision of engineering design and system integration services for rail transportation control system projects, and integrated solutions designed to achieve the functionality and performance of the control systems. During the reporting period, revenue from the design and integration business was RMB5,808.4 million, a year-on-year increase of 18.3%. Gross profit margin was 37.1%, a year-on-year increase of 3.8 percentage points, and the main reasons are: (i) an increase in revenue resulting from the rapid development of the rail transportation business in China; (ii) the refined management and various cost control measures implemented by the Group, thus improving the cost efficiency of the sector.

Equipment manufacturing: revenue from the equipment manufacturing business is mainly derived from the manufacturing and sale of signal system products, communication information system products and other products. During the reporting period, revenue from the equipment manufacturing business was RMB6,903.3 million, a year-on-year increase of 17.6%. Gross profit margin was 35.6%, a year-on-year increase of 3.0 percentage points, and the main reasons are: (i) an increase in the volume of rail transportation equipment provided by the Group resulting from the rapid development of the rail transportation business in China, (ii) adjustments to the sales mix and an increase in the sales proportion of products with high gross profit margin, as well as effectively implementing a series of measures to promote cost efficiency, thereby improving the overall gross profit margin of the equipment manufacturing sector.

System implementation: revenue from the system implementation business is mainly derived from the provision of construction, installation, testing and maintenance services for rail transportation control system projects. During the reporting period, revenue from the system implementation business was RMB7,438.2 million, a year-on-year increase of 38.6%. Gross profit margin was 10.5%, a year-on-year increase of 1.0 percentage point, and the main reasons are: (i) an increase in the volume of the Group's system implementation services resulting from the rapid development of the rail transportation business in China, (ii) enhanced cost control of projects and the settlement arrangements with owners, thereby lifting the gross profit margin of certain projects.

Other businesses: revenue from other businesses is mainly derived from the provision of municipal engineering and related construction services and logistics. During the reporting period, revenue from other business was RMB3,801.7 million, a year-on-year increase of 221.9%. Gross profit margin was 16.2%, a year-on-year increase of 4.9 percentage points, and the main reasons are: (i) the Group's proactive efforts to tap into emerging business while consistently cultivating the traditional communication and signal business, resulting in a rapid growth in revenue of the sector, (ii) the higher gross profit of certain projects implemented during the year, thus lifting the overall gross profit margin of the sector.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB million (except for percentages)

	2015		2014		Increase/ (Decrease) (%)
	Revenue	Percentage (%)	Revenue	Percentage (%)	
Domestic market	23,434.4	97.8	16,751.9	96.7	39.9
Railway	15,702.9	65.6	13,642.0	78.8	15.1
Urban transit	3,929.8	16.4	1,928.8	11.1	103.7
Other business	3,801.7	15.8	1,181.1	6.8	221.9
Sub-total	23,434.4	97.8	16,751.9	96.7	39.9
Overseas market	517.2	2.2	576.7	3.3	(10.3)
Total	23,951.6	100.0	17,328.6	100.0	38.2

During the reporting period, the Group's operating revenue from domestic market was RMB23,434.4 million, a year-on-year increase of 39.9%, and the main reasons are (i) an increase in the number of orders and business scale due to the rapid development of the rail transportation business in China, resulting in an increase in revenue; (ii) the accelerated implementation of certain key projects, driving up the revenue of various sectors.

During the reporting period, the Group's operating revenue from overseas market was RMB517.2 million, a year-on-year decrease of 10.3%, mainly due to adjustments to the progress of overseas projects. Most of the operating revenue from overseas market will be recognized in 2016.

III. Analysis of Statement of Cash Flows

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

Unit: RMB million

	2015	2014
Net cash flows from operating activities	2,763.3	1,190.8
Net cash flows from investing activities	(3,018.3)	1,503.9
Net cash flows from financing activities	5,699.4	52.1

During the reporting period, the Group had net cash inflows from operating activities of RMB2,763.3 million, a year-on-year increase of RMB1,572.5 million, and the main reasons are (i) an increase in profit before tax resulting from the expansion of business scale; (ii) the Group's efforts to step up the settlement of trade receivables and free up the capital locked up by inventories, thereby increasing cash inflows from operations.

MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Group had net cash outflows from investing activities of RMB3,018.3 million, and last year a net cash inflow of RMB1,503.9 million was recorded, and the main reasons are (i) the increase in time deposits with maturity of more than three months in 2015 and (ii) the significant decrease in disposal of fixed assets in 2015 when compared with that in 2014.

During the reporting period, the Group had net cash inflows from financing activities of RMB5,699.4 million, a year-on-year increase of RMB5,647.3 million in the previous year, mainly due to an increase in proceeds raised in 2015.

IV. Financial Ratios

	31 December 2015	31 December 2014
Current ratio ⁽¹⁾	160.3%	145.6%
Quick ratio ⁽²⁾	147.6%	126.5%
Gearing ratio ⁽³⁾	2.4%	2.5%
Return on total assets ⁽⁴⁾	7.4%	8.1%
Return on equity ⁽⁵⁾	16.3%	18.2%

Notes

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

MANAGEMENT DISCUSSION AND ANALYSIS

V. Current Liabilities

Unit: RMB million (except for percentages)

	31 December 2015		31 December 2014		
	Amount at the end of the year		Amount at the end of the year		
		Proportion to total liabilities		Proportion to total liabilities	Increase/ (Decrease)
	Amount	(%)	Amount	(%)	(%)
Total current liabilities	21,193.1	95.2	14,993.8	93.1	41.3
Including: interest-bearing bank					
and other borrowings	429.4	1.9	227.6	1.4	88.7
Trade payables and bills payables	10,954.2	49.2	6,985.7	43.4	56.8
Other payables and accruals	5,501.0	24.7	4,416.5	27.4	24.6
Amount due to contract customers	3,998.9	18.0	3,136.3	19.5	27.5
Total non-current liabilities	1,063.8	4.8	1,107.4	6.9	(3.9)
Including: interest-bearing bank					
and other borrowings	38.0	0.2	90.0	0.6	(57.7)
Total liabilities	22,256.9	100.0	16,101.2	100.0	38.2

As at the end of the reporting period, short-term interest-bearing bank borrowings and other borrowings in the Group's current liabilities increased 88.7% compared to last year, mainly attributable to the increased bank borrowings due to capital needs for normal business operations.

As at the end of the reporting period, trade and bills payable in the Group's current liabilities increased 56.8% compared to last year, mainly attributable to business development and the increased number of projects.

As at the end of the reporting period, other payables and accrued expenses in the Group's current liabilities increased 24.6% compared to last year, mainly attributable to (i) increased in project expense due to projects under construction; and (ii) Declaration of a special dividend for the period from 1 January to 30 June 2015 increased the dividends payable.

As at the end of the reporting period, Amount due to contract customers in the Group's current liabilities increased 27.5% compared to last year, mainly attributable to the increased number of projects due to our business development and the accelerated contract settlement progress of the customers.

As at the end of the reporting period, long-term interest-bearing bank borrowings and other borrowings in the Group's non-current liabilities decreased 57.7% compared to last year, mainly attributable to the reclassification of long-term borrowings due in one year from non-current liabilities to current liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings

As at the end of the reporting period, the Group had total interest-bearing bank borrowings and other borrowings of approximately RMB467.4 million, representing an increase of 47.2% from RMB317.6 million of last year, mainly attributable to increased demand for borrowings to support operation capital as a result of normal production operation.

As at the end of the reporting period, the Group's total interest-bearing bank borrowings and other borrowings were denominated in RMB.

As at the end of the reporting period, the long-term interest-bearing borrowings and short-term interest-bearing borrowings of the Group amounted to RMB38.0 million and RMB429.4 million, respectively. The table below sets forth the maturity profile of interest-bearing bank borrowings and other borrowings repayable of the Group as at 31 December 2015 and 31 December 2014:

	Unit: RMB million	
	31 December 2015	31 December 2014
Bank loans		
Within one year	429.3	227.6
In the second year	17.4	48.1
In the third to fifth years, inclusive	—	41.0
	<u>446.7</u>	<u>316.7</u>
Other borrowings		
Within one year	0.1	—
Beyond five years	20.6	0.9
	<u>20.7</u>	<u>0.9</u>
Total	<u>467.4</u>	<u>317.6</u>

As at the end of the reporting period, the Group's total bank borrowings and other borrowings at floating interest rates amounted to RMB467.4 million, as compared with RMB117.6 million as at 31 December 2014.

As of the reporting period, the total capitalized interest was Nil.

As of the reporting period, interest-bearing bank and other borrowings of the Group were unsecured borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledged assets

As at the end of the reporting period, certain assets of the Group with a total carrying value of RMB201.0 million (last year: RMB179.3 million) were pledged as security for issuance of certain bills payables, letters of credit and performance guarantees. Such assets included trade receivables of RMB2.5 million (last year: RMB15.8 million) and bank deposits of RMB198.5 million (last year: RMB163.5 million).

Liquidity

As at the end of the reporting period, the Group had bank facilities of approximately RMB30,150.0 million granted by commercial banks to the Group, of which RMB21,711.6 million was unused and unrestricted. As at 31 December 2015, the Group had cash and cash equivalents of approximately RMB14,339.8 million, of which RMB13,142.3 million was denominated in RMB, RMB98.1 million was denominated in US dollars, RMB11.4 million was denominated in Euros and RMB1,088.0 million was denominated in HK dollars.

VI. Capital Expenses and Capital Commitments

As of the reporting period, capital expenses on cash basis of the Group amounted to RMB977.0 million, including property, plant and equipment of RMB432.3 million, prepaid land lease payments of RMB510.4 million and other intangible assets of RMB34.3 million.

As at the end of the reporting period, the Group had capital commitments of RMB126.3 million contracted for but not yet incurred, which would be mainly used for technological revamp for improving the technology and equipment capabilities of the CRSC Railway Transportation Research Center and the railway transportation safety control system.

VII. Contingent Liabilities

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

VIII. Employees and Remuneration Policies

As of the end of the reporting period, the Group had 16,584 full-time employees and its total staff costs for the year reached RMB3,035.1 million. The employee recruitment and retention policy reflects numerous factors including the market environment, business needs and expansion plans. The Group plans to recruit, nurture and retain professional talents by a series of procedures during the recruitment and training phases, together with attractive performance-based remuneration packages and development opportunities. The Group performs regular employee performance evaluation with the remuneration and bonus linked with performance. In addition, the Group implements training schemes according to different work requirements and believes that these measures will help enhance employees' productivity.

MANAGEMENT DISCUSSION AND ANALYSIS

IX. Risk Management

The risks faced by the Group in the course of daily operations include interest rate risks, currency risks, credit risks and liquidity risks.

Interest rate risks

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

Currency risks

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

Credit risks

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

Liquidity risks

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

MANAGEMENT DISCUSSION AND ANALYSIS

X. Business Outlook for 2016

Competition landscape and development trend of the industry

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

As of the reporting period, for the Chinese high-speed train integration market featuring communications, signal, power and electrification, CRSC boasted a mileage coverage ratio of winning bids of over 58% for routes with a speed of 200 to 250 km/h, ranking the first with major competitors including China Railway Construction, China Railway and their subsidiaries; and CRSC achieved a mileage coverage ratio of winning bids of over 72% for routes with a speed of 300 to 350 km/h, ranking the first with major competitors including China Railway Construction and its subsidiaries. For the core product market of China's high-speed rail control system, CRSC has been participating in the production of core products for high-speed rail core equipment including train control center, central dispatching system, radio block center, computer interlocking, track circuit and vehicle-mounted automatic protection system with a leading position by market shares in these areas.

As of the reporting period, for the urban rail transportation control system market, the Group's core railway transportation control system products and services covered 20 provinces or autonomous regions in China and the four municipalities, Beijing, Shanghai, Tianjin and Chongqing; its contract amount in the urban rail transportation signal system market was over 49%, enjoying a comfortable lead over competitors. With the CBTC systems independently developed by the subsidiary design institute of CRSC and by CASCO, the Group will continue to enjoy an absolute advantage in terms of market share in the future.

Development trend: for national railway, it is estimated that the size of the Chinese railway market in 2016 will be approximately at the level of that of 2015, and the investment volume will remain at around RMB800 billion. For intercity railway, with the devolvement of intercity railway construction investment, construction investment in intercity railway and city railway becomes popular among various provinces and cities. The National Development and Reform Commission approved a number of intercity rail plans for multiple regions in 2015, which will start construction in the coming years. It is expected that the intercity railway investment in 2016 will scale up to RMB100 billion, and continue to increase year by year over the next five years. For the international market, the Jakarta to Bandung high-speed railway in Indonesia successfully bided by the joint venture under the lead of China Railway Corporation with CRSC as a participant has commenced construction. With the expansion and implementation of the "One Belt and One Road" national strategy, the capital export at all levels in the country and the implementation of the "going global" strategy for businesses, the year 2016 and the coming years will see a booming period for international railway projects. For urban rail transportation sectors, CRSC achieved a breakthrough in its tram business and entered into a Tianshui tram project with Tianshui City in Gansu. Currently, the urban railway transportation market at home and abroad are demonstrating a rapid growth, and it is estimated that the scale of investment in urban rail transportation market will rise to RMB320 billion in China in 2016. For smart city, the business development momentum of CRSC is promising, successfully bidding the smart city project of Tongren in Guizhou. As the smart city policy is beginning to reap benefits, smart cities in China will welcome a new wave of rapid development opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

Development strategies of the Group

The Group will adhere to the quality and safety first principle, and shoulder the mission of leading the national railway communication and signal industry in the “going global process”. The Group will expedite technological innovation, accelerate transformation and upgrading, take advantage of industry chain integration, and put an emphasis on making strategic breakthroughs in the structural adjustments to industry products, historical breakthroughs in core technologies, and international breakthroughs in high-speed train standards and industry export of China. By continuously promoting the development of the core technology of railway control system into relevant areas such as smart city, Internet of things, and ultra-high-speed wireless broadband, we will become the provider of comprehensive information system products, solutions and services. Seizing the opportunities arising from the emergence of rail transit equipment industry related to tramcar and related industries such as intelligent manufacturing equipment, we will foster new industries as new economic growth engines. Following the national policies of “One Belt One Road” and “Go global”, we will tap into overseas high-speed railway market, and accelerate the internalization of CRSC, building up a cross-national industry group of international standards featuring rail transportation control technology.

Operational plans

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

Potential risks

- 1. Macro-economic risks:** As the global economy faces a slow recovery, our country enters an economic new normal and market competition intensifies, uncertainty in the macro-economy poses a considerable strategic risk to the development of the Group.
- 2. Policy Risks:** The negative impacts from the changes in China’s foreign exchange management system, tax policy and policy in respect of the infrastructure industry.
- 3. Market Risks:** Although infrastructure such as railway and urban rail transportation has considerable room for development, the strict control of the scale of local debt by local authorities has resulted in a tendency to adopt a public-private partnership model for rail transportation projects such as metro projects, resulting in longer investment duration, higher occupied capital and increased investment risks.
- 4. Financial Risks:** The change in the financing environment may pose a risk of failing to meet the cash demand for production operations and investment activities; the change in the product market may pose a risk of failing to satisfy capital demand for production operations due to imbalanced production volume and higher capital demand during the peak production season of the Group; under the impact of the economic environment, the operations of certain customers may suffer considerably due to the volatile market, making it more difficult for the Company to collect its accounts receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

5. **Overseas Merger and Acquisition Risks:** Risks such as unstable macro environment including the economy and policy of the target country; the risk of unable to pass the merger and acquisition examination conducted by the country in which the subject for acquisition is located; the difficulty in consolidating resources and integrating corporate culture after the acquisition.
6. **Legal Risks:** The intellectual property risks of the Group are intertwined with the Company's production and operation activities, affecting the whole process of the Company's operation, mainly manifested in the risks of intellectual property being infringed in areas such as corporate names, patented technologies, propriety technologies, registered trademarks, commercial secrets and product packages and decorations. Meanwhile, the Company also faces the risk of infringing the intellectual property of others and being involved in intellectual property disputes and inappropriate competitive acts. The overseas markets of the Group keep on expanding, yet the operational experience in overseas legal matters is limited. The export business of the Group is therefore facing legal risks of intellectual property and applicable laws.

Core competitiveness

1. *Strong technological innovation and system integration capabilities*

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

2. *A whole industry chain comprehensive advantage*

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

3. *Leading technical professionals within the industry*

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

MANAGEMENT DISCUSSION AND ANALYSIS

4. *Excellent customer relationship*

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

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

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

REPORT OF THE DIRECTORS

The board (the “Board”) of directors (the “Directors”) hereby presents this preliminary report of Directors and the preliminary results announcement as well as the Group’s audited consolidated financial statements for 2015 prepared in accordance with the International Financial Reporting Standards (“IFRS”). The full version of the report of Directors will be contained in the 2015 annual report to be dispatched to the Company’s H Shareholder’s in due course.

CORPORATE INFORMATION AND INITIAL PUBLIC OFFERING

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

Basic information about the Company is set out in “Corporate Information” on pages 4 to 5 in this announcement.

PRINCIPAL BUSINESSES

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

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

- *Design and integration*: mainly includes engineering design and system integration services for rail transportation control system projects, and integrated solutions designed to achieve functionality and performance of control system;
- *Equipment manufacturing*: mainly includes manufacturing and sale of signal system products, communication information system products and other products; and
- *System implementation*: mainly includes construction, installation, testing and maintenance services for rail transportation control system projects.

The discussion and analysis of the Group’s performance for the year and the key factors affecting its results and financial position are set out in “Management Discussion and Analysis” on pages 7 to 20 in this announcement.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE OF THE COMPANY

In 2015, the Group continuously paid close attention to energy conservation and environmental protection, striving to create a green, safe and comfortable working environment. The Group achieved remarkable results in building a paperless office by establishing various means to handle official businesses in an electronic manner, including the construction of an IT-oriented platform. Meanwhile, the Group also endeavoured to raise energy conservation awareness and to minimize the consumption of water, electricity, coal, gas and other energy sources through management of energy conservation and consumption reduction in its office areas. In addition, the Group encouraged its staff to convene meetings in the form of teleconference to reduce the use of vehicles and to avoid travel, so as to minimize carbon emission and energy consumption arising from business trips.

COMPLIANCE WITH LAWS AND REGULATIONS

As a H share company incorporated in the PRC with limited liabilities and listed on the Hong Kong Stock Exchange, the Company is governed by various applicable domestic laws and regulations including the Company Law of the People's Republic of China, the Production Safety Law of the People's Republic of China, the Standards for Corporate Governance of Listed Companies (《上市公司治理準則》) promulgated by the CSRC, the Guideline on Comprehensive Risk of Central Enterprises (《中央企業全面風險指引》) promulgated by the SASAC, as well as the Listing Rules and the Securities and Futures Ordinance. The Group has implemented internal control measures to ensure its compliance with such laws and regulations. Having reviewed the business performance of the Group, the Board is of the view that the Group has been in compliance with the requirements of relevant laws and regulations in all material respects.

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

ISSUE OF SHARES

The shares of the Company have been listed and traded on the Main Board of the Stock Exchange since 7 August 2015. The prospectus in connection with the listing has been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.crsc.cn).

Initial Public Offering

On 7 August 2015, the Company issued 1,750,000,000 ordinary shares at an offering price of HK\$6.30 each for its initial public offering. The net proceeds from the Company's initial public offering (net of Stock Exchange trading fee, SFC transaction levy, registration fee of Computershare Hong Kong Investor Services and fees charged by the Receiving Bank) amounted to approximately HK\$11,023.9 million. Details of the initial public offering are disclosed in the prospectus.

Partial Exercise of Over-allotment Option

On 28 August 2015, the over-allotment option described in the prospectus was partially exercised by the joint global coordinators (on behalf of the international underwriters), involving an aggregate of 39,819,000 H shares (the “Over-allotment Shares”) (representing approximately 2.28% of the total number of Offer Shares initially available under the Global Offering), to cover, among other things, the over-allotment under the International Offering. The Over-allotment Shares will be issued and allotted by the Company at HK\$6.30 per share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), being the offering price per offer share under the Global Offering.

Stabilization Actions and End of Stabilization Period

The stabilization period in connection with the Global Offering ended on 30 August 2015. The stabilizing actions undertaken by the Stabilizing Manager of the Company, Goldman Sachs (Asia) L.L.C., during the stabilization period were as follows:

- (i) representing 15% of the total number of Offer Shares initially available under the Global Offering before any exercise of the over-allotment option;
- (ii) successive purchases of an aggregate of 232,681,000 H shares on the market at a price in the range of HK\$5.67 to HK\$6.30 per H share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) during the stabilization period, representing approximately 13.30% of the total number of Offer shares initially offered under the Global Offering before any exercise of the over-allotment option;
- (iii) sales of an aggregate of 10,000,000 H shares on the market at a price in the range of HK\$6.43 to HK\$6.55 per H share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) during the stabilization period, representing approximately 0.57% of the total number of Offer shares initially offered under the Global Offering before any exercise of the over-allotment option; and
- (iv) partial exercise of the over-allotment option, involving Over-allotment Shares, by the joint global coordinators (on behalf of the international underwriters) at the offering price on 28 August 2015, so as to deliver H shares to those cornerstone investors who had agreed to the delayed delivery of such H shares which they agreed to subscribe under their respective cornerstone investor agreements.

REPORT OF THE DIRECTORS

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

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

As at the end of the reporting period, total expenses of the proceeds raised amounted to RMB2,696.3 million, among which, RMB900.0 million was used in replenishing liquidity, RMB1,130.7 million was used in the construction of the CRSC Railway Transportation Research Center and RMB665.6 million was used in the technical overhaul of CRSC Xi'an.

Save for the use of proceeds mentioned above, approximately HK\$1,274.7 million and RMB5,551.1 million of the Company's proceeds remains unused and has been deposited in the special account maintained by the Company with the bank.

PERFORMANCE AND DISTRIBUTION

The performance of the Group for the year ended 31 December 2015 is set out in the audited consolidated statements of profit or loss and other comprehensive income on page 78 of this report. The financial position of the Group for the year ended 31 December 2015 is set out in the consolidated statements of financial position on pages 79 to 80 of this report.

According to the resolutions of the shareholders of the Company passed on 6 February 2015, which was amended and supplemented by the resolutions of the shareholders of the Company passed on 21 May 2015, the Company declared special dividends representing all of the undistributed distributable profit of the Company and its subsidiaries accrued up to 30 June 2015 to the then existing shareholders of the Company. The special dividend representing the undistributed distributable profit of the period up to 31 December 2014 was RMB3,227.7 million. The Company paid such special dividend to the then existing shareholders of the Company with its available cash and cash equivalents on hand in June 2015. The Company has engaged an independent auditor to conduct an audit for the purpose of determining the amount of the actual amount of the special dividend representing the undistributed distributable profit of the period from 1 January 2015 to 30 June 2015 (the "Remaining Special Dividend"). According to the audit result, net profit attributable to the shareholders of the Company for the period from 1 January 2015 to 30 June 2015 is RMB1,125.1 million (being the lower of the amounts determined in accordance with the accounting rules of the PRC and the IFRS). After appropriations of the statutory and discretionary reserve, the Company had paid the Remaining Special Dividend in the amount of RMB723.4 million to the then existing shareholders of the Company. Shareholders of H shares of the Company are not entitled to the Remaining Special Dividend.

DISTRIBUTION PLAN AND POLICY OF FINAL DIVIDEND

Final Dividend

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

The Board has proposed to distribute dividends from July 2015 to December 2015 (the “Final Dividend”) to the domestic shareholders and H shareholders (the “Shareholders”) whose names appear on the register of members of the Company on the record date specified in the notice of 2015 annual general meeting to be published by the Company in due course a cash dividend of RMB0.025 (tax inclusive) per share. The 2015 final dividend to be distributed will be denominated and announced in RMB, of which domestic shareholders will be paid in RMB and H shareholders will be paid in HK dollars. The exchange rate of HK dollars will be calculated in accordance with the average forex closing price published by the People’s Bank of China for the three working days before the day the dividend distribution announcement is made (inclusive of the day of the dividend distribution announcement). Such final dividend will be distributed on or before 30 June 2016. The above profit distribution plan is subject to approval at the 2015 annual general meeting of the Company.

Withholding and Payment of Final Dividend Income Tax

Final dividend income tax applicable to overseas shareholders

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

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

REPORT OF THE DIRECTORS

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

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

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

Final dividend income tax applicable to shareholders in Mainland China investing in H shares of the Company through Shanghai-Hong Kong Stock Connect

Withholding and Payment of Individual Income Tax on behalf of Domestic Individual Shareholders Investing through Shanghai-Hong Kong Stock Connect

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

No Withholding and Payment of Enterprise Income Tax on behalf of Domestic Enterprise Shareholders Investing through Shanghai-Hong Kong Stock Connect

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

ISSUED SHARE CAPITAL

As at 31 December 2015, the total share capital of the Company was RMB8,789,819,000, divided into 8,789,819,000 shares with a nominal value of RMB1.00 each.

During the reporting period, upon partial exercise of the over-allotment option and conversion, the Company issued and allotted a total of 43,801,000 H shares, comprising (i) 3,982,000 H shares converted from domestic shares; and (ii) 39,819,000 H shares further issued and placed by the Company.

REPORT OF THE DIRECTORS

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PROPERTY, PLANT AND EQUIPMENT

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, total sales to the Company's five largest customers represented approximately 18.7% of total revenue for the year, among which total sales to the largest customer accounted for approximately 4.7% of total revenue for the year.

For the year ended 31 December 2015, total purchase from the Company's five largest suppliers represented approximately 12.0% of total cost of sales for the year, among which total purchase from the largest supplier accounted for approximately 6.2% of total cost of sales for the year.

In 2015, none of the Directors, associates of Directors or shareholders of the Company (who, to the knowledge of the Directors, holds more than 5% of the issued share capital of the Company) had interests in the five largest customers or the five largest suppliers of the Group.

ENTRUSTED DEPOSITS AND OVERDUE TERM DEPOSITS

For the year ended 31 December 2015, neither the Company nor the Group had any entrusted deposits with financial institutions in China, or any term deposits which were overdue but unrecovered.

EXTERNAL DONATIONS

In 2015, the Company donated a total of RMB0.72 million to various organizations including local charities and governments of impoverished counties.

REPORT OF THE DIRECTORS

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets out the information on the Directors, the Supervisors and senior management of the Company in 2015.

Name	Position held in the Company	Date of appointment
Directors		
Mr. ZHOU Zhiliang	Chairman and executive Director	31 January 2012
Ms. LI Yanqing	Executive Director and vice chairwoman	29 December 2010
Mr. YIN Gang	Executive Director and president	21 May 2015
Mr. WANG Jiajie	Independent non-executive Director	21 May 2015
Mr. SUN Patrick	Independent non-executive Director	21 May 2015
Mr. CHEN Jin'en	Independent non-executive Director	21 May 2015
Mr. GAO Shutang	Independent non-executive Director	21 May 2015
Supervisors		
Ms. TIAN Liyan	Chairwoman of the Supervisory Committee	21 May 2015
Mr. GAO Fan	Supervisor	21 May 2015
Ms. ZHAO Xiumei	Employee representative Supervisor	21 May 2015
Senior management		
Mr. YIN Gang	President and executive Director	22 May 2015
Mr. KONG Ning	Chief accountant	29 December 2010
Mr. CHEN Hong	Vice president	18 April 2013
Mr. HUANG Weizhong	Vice president	18 April 2013
Mr. HU Shaofeng	Board secretary and deputy chief accountant	29 May 2013

The Company has received an annual confirmation on independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules, and the Company is of the view that all independent non-executive Directors are independent from the Company. There was no change in the members of the Board or the Supervisory Committee of the Company during the reporting period.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, the Supervisors and Senior Management are set out on pages 67 to 77 of this announcement.

REPORT OF THE DIRECTORS

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

INTERESTS OF DIRECTORS IN COMPETING BUSINESSES

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

DIRECTORS AND SUPERVISORS SERVING IN COMPETING BUSINESSES

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

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

REPORT OF THE DIRECTORS

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

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

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

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

As at 31 December 2015, none of the Directors, the Supervisors or chief executives of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

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

DIRECTORS' INSURANCE

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

REPORT OF THE DIRECTORS

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

As at 31 December 2015, so far as is known to the Directors, the following persons (other than the Directors, the Supervisors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and, which were entered in the register required to be kept by the Company pursuant to section 336 of the SFO:

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

Notes:

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

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2015, the Directors were not aware of any persons who had interests and/or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

ARRANGEMENTS FOR SHARE PRE-EMPTIVE RIGHT AND STOCK OPTION

In 2015, no arrangement for share pre-emptive right and stock option was made by the Company, as there are no specific provisions under the China laws or the Articles regarding share pre-emptive right.

COMPLIANCE OF CRSC CORPORATION GROUP WITH THE NON-COMPETITION UNDERTAKING

The Company has received the confirmation letter from CRSC Corporation Group, which confirms that, in 2015, CRSC Corporation Group was in compliance with all undertakings as set out in the “Letter of Non-competition Undertaking” issued to the Company.

PUBLIC FLOAT

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

CONNECTED TRANSACTIONS

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

EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

Property Leasing Framework Agreement between CRSC Corporation Group and the Company

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

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

REPORT OF THE DIRECTORS

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

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

General Services Framework Agreement between CRSC Corporation Group and the Company

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

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

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

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

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

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

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

Service Agreement between CRSC CASCO and ALSTOM IC

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

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

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

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

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

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

REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

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

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

REPORT OF THE DIRECTORS

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

The exempt caps of the purchases/sales during the reporting period approved by the Stock Exchange were RMB109,629,000 and RMB81,332,000, respectively. The actual total transaction amounts of purchases/sales by the Group and CRSC Corporation Group under the aforesaid agreements were RMB95,025,000 and RMB27,013,000, respectively.

General Services Framework Agreement between the Company and CRSC Corporation Group

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

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

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

The exempt cap for the reporting period approved by the Stock Exchange was RMB35,000,000. The Group provided general service transaction to CRSC Corporation Group and/or its associates under the aforesaid agreement.

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

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

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

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

The exempt cap for 2015 approved by the Stock Exchange was RMB153,880,000. The actual total amount of purchases from Alstom Transport Holdings and/or its subsidiaries under the aforesaid agreement was RMB123,734,000.

NON-EXEMPT CONNECTED TRANSACTIONS

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

CONFIRMATION BY INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REPORT OF THE DIRECTORS

AUDITOR'S LETTER

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee has reviewed the annual results of the Company for 2015 as well as the financial statements for the year ended 31 December 2015 prepared in accordance with IFRSs.

ACCOUNTING POLICIES

The principal accounting policies adopted by the Company for the preparation of its audited consolidated financial statements for 2015 are consistent with those adopted for the preparation of its audited consolidated financial statements for the year ended 31 December 2014.

REPORT OF THE DIRECTORS

AUDITORS

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

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

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

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

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

By order of the Board

China Railway Signal & Communication Corporation Limited*

ZHOU Zhiliang

Chairman

SIGNIFICANT EVENTS

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

As at 31 December 2015, the Group did not involve in any events of major litigation, arbitration and generally questioned by the media. The Directors were also not aware of any significant litigations or claims which were pending or may face with.

CAPITAL BEING USED AND PROGRESS OF CLEARING DURING THE REPORTING PERIOD

During the reporting period, the Company did not involve in any events of capital being used and progress of clearing.

BANKRUPTCY AND RESTRUCTURING

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

TRANSACTIONS OF ASSETS AND MERGERS OF ENTERPRISES

Reference is made to “Financial Information – Acquisitions During and After Track Record Period – Proposed Acquisition After Track Record Period” in the prospectus in respect of the proposed acquisition of 65% of the enlarged share capital in Zhengzhou Zhongyuan by way of capital increase by the Company. As at 31 December 2015, the Company contributed capital of RMB325,000,000 and gained the control of Zhengzhou Zhongyuan.

We have applied for and the Stock Exchange has granted us a waiver from strict compliance with certain disclosure requirements in relation to the proposed acquisition pursuant to the Listing Rules. For details relating to the proposed acquisition of Zhengzhou Zhongyuan and businesses and financial highlights of Zhengzhou Zhongyuan, please see the sections headed “Our History and Development – Proposed Acquisition”, “Waivers from Strict Compliance with the Hong Kong Listing Rules – Waiver from Strict Compliance with Rules 4.04(2) and 4.04(4) of the Hong Kong Listing Rules”.

Apart from the aforementioned, the Company is not involved in any transactions of assets and mergers of enterprises during the reporting period.

EQUITY INCENTIVES OF THE COMPANY AND ITS IMPACT

During the reporting period, the Company did not involve in any events of equity incentives.

SIGNIFICANT CONTRACTS

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

EQUITY RIGHTS HELD IN OTHER LISTED COMPANIES

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

DEALINGS IN THE SHARES OF OTHER LISTED COMPANIES

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

EXPOSURE TO RISKS OF SUSPENSION AND TERMINATION OF LISTING

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

SIGNIFICANT SUBSEQUENT EVENTS

From 1 January 2016 to the date of this announcement, there were no significant subsequent events.

CLOSURE OF REGISTER OF MEMBERS

The Company will announce in due course the date of convening the 2015 Annual General Meeting, and for the purpose of ascertaining the list of shareholders entitled to attend and vote at the forthcoming annual general meeting, the timing for which the register of members of the Company will be closed.

The Company will give further notice on the record date and book closure date for the dividend of H Shares.

OTHER SIGNIFICANT EVENTS

Successful Listing of H Shares on the Main Board of the Hong Kong Stock Exchange

On 7 August 2015, upon approval by the Hong Kong Stock Exchange, 1,750,000,000 H Shares issued by the Company and 175,000,000 overseas listed foreign H Shares converted from state-owned shares (A Shares) by CRSCS、CCT Group、CRHC and SINOMACH to NSSF, totaling 1,925,000,000 H Shares, were listed on the Main Board of the Hong Kong Stock Exchange and dealing in such H Shares commenced. H Shares are abbreviated as “中國通號” (Chinese) and “CHINA CRSC” (English). The stock code for the H Shares is “3969”.

CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

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

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

Upon approval by the CSRC under Zheng Jian Xu Ke (2015) No.1630 (證監許可[2015]1630號文), the Company initially issued to foreign investors 1,789,819,000 overseas-listed foreign ordinary shares (including an over-allotment of 39,819,000 overseas listed foreign ordinary shares), which were listed on the Main Board of the Hong Kong Stock Exchange. Pursuant to the Provisional Measures for the Administration of the Reduction of the Holding of State-Owned Shares in Order to Raise Social Security Funds and relevant regulations of the State Council, the Company's state-owned shareholders, simultaneously with the issuance of the overseas-listed foreign shares, transferred 178,982,000 state-owned shares held by it into the possession of the National Council for Social Security Fund, which were converted into overseas-listed foreign shares. Upon completion of the afore-said issuances, the Company had total share capital of 8,789,819,000 shares, comprising a total of 8,789,819,000 ordinary shares, of which 6,821,018,000 shares were domestic shares, accounting for 77.6% of the Company's total ordinary shares in issue; and 1,968,801,000 shares were overseas-listed foreign shares the shareholders of which include National Council for Social Security Fund, accounting for 22.4% of the Company's total ordinary shares in issue.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company's H shares have been listed on the Main Board of the Hong Kong Stock Exchange since 7 August 2015. In order to ensure that the Company is able to fully perform its obligations under the Listing Rules, the Company has established an effective corporate governance structure and, from time to time, reviews and improves its internal control and corporate governance mechanism.

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. The Board is of the view that the Company has complied with all the code provisions as set out in the Corporate Governance Code throughout the period from the Listing Date up to 31 December 2015.

SECURITIES TRANSACTIONS CONDUCTED BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as the code of conduct for securities transactions of the Company carried out by all the Directors and Supervisors. The Company has made specific enquiries to all the Directors and Supervisors, and all the Directors and Supervisors have confirmed that they have complied with the standards as set out in the Model Code throughout the period from the Listing Date up to 31 December 2015.

BOARD

The Board currently consists of three executive Directors and four independent non-executive Directors. The Directors who have served throughout the period from the Listing Date up to the date of this announcement are as follows:

Executive Directors

Mr. ZHOU Zhiliang (*Chairman*)

Ms. LI Yanqing

Mr. YIN Gang

CORPORATE GOVERNANCE REPORT

Independent non-executive Directors

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

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

Biographies of the Directors are set out in the section headed "Directors, Supervisors and Senior Management and Employee" in this announcement.

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

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

Independent non-executive Directors

Throughout the period since the Listing Date up to 31 December 2015, the Board has complied with the requirements of Rule 3.10(1) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise as set out in Rule 3.10(2) of the Listing Rules.

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

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

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND PRESIDENT

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

TERM OF OFFICE FOR DIRECTORS

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

NOMINATION, APPOINTMENT AND REMOVAL OF DIRECTORS

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

CORPORATE GOVERNANCE REPORT

DUTIES OF THE BOARD

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

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

CORPORATE GOVERNANCE REPORT

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

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

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE FUNCTION

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

- (1) to formulate, review and make recommendations on the corporate governance policies and practices of the Company;
- (2) to review and monitor the training and continuous professional development of Directors and senior management;
- (3) to review and monitor the Company's policies and practices on compliance with laws and regulatory requirements;
- (4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (5) to review the Company's compliance with the Corporate Governance Code and disclosures made in the Corporate Governance Report of the annual report of the Company.

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

DIRECTORS' TRAINING

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

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuous briefing and professional development for Directors will be arranged where necessary. Individual Directors also participated in the courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or via online resources or reading relevant materials.

CORPORATE GOVERNANCE REPORT

During the reporting period, executive Directors, Mr. ZHOU Zhiliang, Ms. LI Yanqing and Mr. YIN Gang and independent non-executive Directors, Mr. WANG Jiajie, Mr. SUN Patrick, Mr. CHEN Jin'en and Mr. GAO Shutang, before the listing of the Company, received training provided by legal advisors of the Company concerning ongoing obligations and responsibilities of directors, supervisors and senior management of listing companies in Hong Kong. In addition, the executive Directors of the Company also received training on cross-border mergers and acquisitions provided by legal advisors of the Company and Citibank, on governance management and risk control provided by legal advisors of the Company and on financial management provided by the Company's auditors. Independent non-executive Directors, Mr. SUN Patrick, also received a number of professional training sessions provided by the Hong Kong Stock Exchange and Trinity Limited and independent non-executive Directors, Mr. WANG Jiajie, Mr. CHEN Jin'en and Mr. GAO Shutang received a number of professional training sessions provided by SASAC and other related domestic organisations.

BOARD MEETINGS

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Directors' Attendance at Meetings

During the reporting period, the Board held a total of eight meetings to address various matters including the review and approval of items including interim results and financial statements for the six months ended 30 June 2015, distribution of profits, overall budget, material investments, appointment and removal of directors and senior management.

For the year ended 31 December 2015, the Directors' attendance records of the Board meetings and shareholders' general meetings are set out as follows:

Name of Director	Number of	Number of
	Board meetings attended/Number of Board meetings held during their respective tenures	shareholders' general meetings attended/Number of shareholders' general meetings held during their respective tenures
Mr. ZHOU Zhiliang	8/8	3/3
Ms. LI Yanqing	8/8	3/3
Mr. YIN Gang	5/5	1/1
Mr. WANG Jiajie	5/5	1/1
Mr. SUN Patrick	5/5	1/1
Mr. CHEN Jin'en	5/5	1/1
Mr. GAO Shutang	5/5	1/1
Mr. SHI Weizhong	2/2	1/1
Mr. CHEN Hong	2/3	0/2
Mr. ZHANG Wei	2/3	1/2
Mr. TONG Bao'an	3/3	2/2
Mr. BAI Jingwu	2/3	2/2

On 22 May 2015, the Board of the Company completed its change of session. The first Board comprised of Mr. ZHOU Zhiliang, Ms. LI Yanqing, Mr. SHI Weizhong, Mr. CHEN Hong, Mr. ZHANG Wei, Mr. TONG Bao'an and Mr. Mr. BAI Jingwu. The second Board comprises of Mr. ZHOU Zhiliang, Ms. LI Yanqing, Mr. YIN Gang, Mr. WANG Jiajie, Mr. SUN Patrick, Mr. CHEN Jin'en and Mr. GAO Shutang. Directors who were obliged to attend the meeting but failed to do so had appointed other directors to attend and vote in accordance with statutory procedures.

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

CORPORATE GOVERNANCE REPORT

Delegation by the Board

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

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

BOARD COMMITTEES

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

Nomination Committee

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

- (1) reviewing the structure, number of members and composition of the Board, and advising on any changes made by the Board in response to the Company's strategies;
- (2) studying and advising on the standards, procedures and methods for the election of Directors, president and other senior management members;
- (3) evaluating the eligibility of candidates for Directors and senior management members, reporting to the Board its opinions and advising on the relevant appointment to the Board;
- (4) searching for qualified candidates for Directors and senior management members;
- (5) reviewing the independence of the independent non-executive Directors;

CORPORATE GOVERNANCE REPORT

- (6) advising to the Board on the appointment or re-appointment of Directors and senior management, as well as the succession plan for Directors and senior management (especially Chairman and President);
- (7) reporting its decisions or opinions to the Board, unless otherwise restricted by laws or regulations; and
- (8) other duties authorized by the Board.

During the reporting period, the Nomination Committee did not held any meetings.

Diversity Policy of Board Members

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

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

Remuneration and Evaluation Committee

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

- (1) advising to the Board on the overall remuneration policy and framework for Directors and senior management members, and on the establishment of standardized and transparent remuneration policy formulation procedures;
- (2) studying assessment criteria, performance evaluation procedures, remuneration and rewards and punishment policies for Directors and senior management members and submitting it to the Board for approval;
- (3) reviewing the performance of duties by and conducting performance appraisal and evaluation over Directors and senior management members;
- (4) reviewing and approving proposals on senior management’s remuneration in accordance with the Company’s guidelines and targets approved by the Board of Directors;

CORPORATE GOVERNANCE REPORT

- (5) formulating and advising to the Board the remuneration packages for Directors and senior management members;
- (6) reviewing and approving the compensation for the loss or termination of the office or appointment of the executive Directors and senior management members;
- (7) reviewing and approving the compensation arrangements with regard to the dismissal or removal of Directors due to their misconduct;
- (8) ensuring any Director or their contacts not to determine by themselves, or be involved in determining, their remuneration;
- (9) supervising the implementation of the Company's remuneration policies;
- (10) studying and advising to the Company's equity incentive proposal;
- (11) reporting to the Board on their decisions or recommendations, unless as restricted by laws or regulations; and
- (12) other duties authorized by the Board.

During the reporting period, the Remuneration and Evaluation Committee held one meeting, with Directors' attendance records set out as follows:

Name of Director	Number of meetings attended/ Number of meetings held
Mr. GAO Shutang	1/1
Mr. SUN Patrick	1/1
Mr. CHEN Jin'en	1/1

During the reporting period, the Remuneration and Evaluation Committee considered and listened to the "Report on the Remuneration Condition of the Enterprise Person-in-Charge of CRSC" to supervise the remuneration approval and distribution of the enterprise person-in-charge and investigate how to take advantage of the remuneration incentive mechanism to promote the development of enterprise reform.

Remuneration of Directors and senior management

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

CORPORATE GOVERNANCE REPORT

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

Remuneration band	Number of individuals
Nil to RMB700,000	3
RMB700,000 to RMB800,000	1

Audit and Risk Management Committee

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

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

CORPORATE GOVERNANCE REPORT

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

During the reporting period, the Audit and Risk Management Committee held two meetings, with Directors' attendance records set out as follows:

Name of Director	Number of meetings attended/ Number of meetings held
Mr. SUN Patrick	2/2
Mr. WANG Jiajie	2/2
Mr. GAO Shutang	2/2

The Audit and Risk Management Committee has reviewed the interim results of the Group for the six months ended 30 June 2015. The Audit and Risk Management Committee has also discussed the accounting policies and practices adopted by the Company, internal control and financial reporting matters with the senior management of the Company, and has reviewed the effectiveness of the accounting policies and practices adopted by the Company and the internal control system of the Group as well as the audit planning of the 2015 financial statements. In addition, the Audit and Risk Management Committee has had two meetings with external auditors.

CORPORATE GOVERNANCE REPORT

Strategy and Investment Committee

The Company has established the Strategy and Investment Committee with written terms of reference. The Strategy and Investment Committee of the Company consists of 5 Directors, including Mr. ZHOU Zhiliang and Ms. LI Yanqing (both being executive Directors) as well as Mr. GAO Shutang, Mr. CHEN Jin'en and Mr. WANG Jiajie (all being independent non-executive Directors). Mr. ZHOU Zhiliang (being an executive Director) currently serves as the chairman of the Strategy and Investment Committee. The primary duties of the Strategy and Investment Committee include, but are not limited to, the following:

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

During the reporting period, the Strategy and Investment Committee held one meeting, with Directors' attendance records set out as follows:

Name of Director	Number of meetings attended/ Number of meetings held
Mr. ZHOU Zhiliang	1/1
Ms. LI Yanqing	1/1
Mr. GAO Shutang	1/1
Mr. CHEN Jin'en	1/1
Mr. WANG Jiajie	1/1

CORPORATE GOVERNANCE REPORT

During the reporting period, the Strategy and Investment Committee considered and listened to the “Report in Relation to the Strategy and Investment-related Issues of CRSC in 2015” to investigate issues affecting the development of the Company including the strategy and planning of the development of the 13th Five-Year Plan, material investment and restructuring.

Quality and Safety Committee

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

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

During the reporting period, the Quality and Safety Committee held one meeting, with Directors’ attendance records set out as follows:

Name of Director	Number of meetings attended/
	Number of meetings held
Mr. YIN Gang	1/1
Ms. LI Yanqing	1/1
Mr. GAO Shutang	1/1

CORPORATE GOVERNANCE REPORT

During the reporting period, the Quality and Safety Committee reviewed the amended draft of the “Working Rules of the Quality and Safety Committee of the Board of Directors of China Railway Signal & Communication Corporation Limited”; listen to and examined the condition of safety and quality works in 2015 and the report of key safety and quality works arrangement in 2016 of China Railway Signal & Communication Corporation Limited.

SUPERVISORY COMMITTEE

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

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

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

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

CORPORATE GOVERNANCE REPORT

- (8) to initiate investigations into any irregularities identified in the operation of the Company and, where necessary, to engage professional institutions, such as an accounting firm and a law firm, to assist their work;
- (9) other duties authorized by the Articles or shareholders' general meeting.

During the reporting period, the Supervisory Committee held three meetings, with Supervisors' attendance records set out as follows:

Name of Supervisor	Number of meetings attended/ Number of meetings held
Ms. TIAN Liyan	2/2
Mr. GAO Fan	2/2
Ms. ZHAO Xiumei	2/2
Mr. TANG Sujun	1/1
Ms. YANG Hongyan	1/1
Mr. LUO Xiaoping	1/1
Ms. CHEN Shiyu	0/1
Mr. LI Jingxiang	1/1
Mr. GENG Xin	1/1

On 21 May 2015, the 2015 second annual general meeting of the Company approved the resolution in relation to the amendment of the Articles of Association to change the composition of the Supervisory Committee from "6 supervisors" to "3 supervisors", and Ms. TIAN Liyan and Mr. GAO Fan were elected as representatives of shareholders of the second Supervisory Committee and Ms. ZHAO Xiumei was elected by the staff representative meeting as the representative of staff and workers of the second Supervisory Committee. Previously, the members of the first Supervisory Committee were Mr. TANG Sujun, Ms. YANG Hongyan, Mr. LUO Xiaoping, Ms. CHEN Shiyu, Mr. LI Jingxiang and Mr. GENG Xin. Supervisors who were obliged to attend the meeting but failed to do so had appointed other supervisors to attend and vote in accordance with statutory procedures.

During the reporting period, the Supervisory Committee reviewed matters including the rules of procedures of the Supervisory Committee of the Company, the 2014 work statements of the Supervisory Committee and the election of the chairman of the second session of the Supervisory Committee.

During the reporting period, major tasks completed by the supervisors during the year included ensuring the Supervisory Committee's performance of duties in accordance with the laws, monitoring the occupational behavior of directors and managers and the operation of the Company in compliance with laws, examining the financial conditions of the Company as well as the audit of the period reports prepared by the Board.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

During the reporting period, the Board, through the Audit and Risk Management Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Company including the adequacy of resources of the Company's accounting and financial reporting function, qualifications and experience of the staff, and the training programs for the staff and relevant budget.

In accordance with the Basic Standard for Enterprise Internal Control and its supplementary guidance formulated by the five ministries including the Ministry of Finance and the China Securities Regulatory Commission as well as the requirements of the relevant laws and regulations of the Stock Exchange, the Company has taken into account the actual circumstances of the operation management and formulated rules and regulations regarding internal control. During the previous year, the Company further strengthened internal auditing, promoted the establishment of rules and regulations, regulated basic management and further optimized the working mechanism of shareholders' meeting, the Board and the Board of Supervisors in accordance with the relevant listing requirements. It also established and regulated information disclosure and investor relations management mechanism and organized internal control auditing inside the Company while integrating the internal control shortcoming checklist to strengthen the tracking and supervising of the correction of auditing problems. Closely integrating the development strategy of the Company, the Board comprehensively consolidated the rules and regulations of the Company to strengthen the centralized management of aspects such as capital and procurement while enhancing the standardized management of contracts so as to effectively carry out risk management. It also proactively utilized information technology to realize the coordination of human resources, financial assets and inventory of the business categories as well as the upper stream and lower stream of the production chain, thereby enhancing the overall standard of management and control.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and Company's assets and with the support of the Audit and Risk Management Committee, reviewing the effectiveness of such system on an annual basis.

CORPORATE GOVERNANCE REPORT

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor and senior management review and evaluate the control process, monitor any risk factors on a regular basis, and report to the Audit and Risk Management Committee on any findings and measures to address the variances and identified risks.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

During the reporting period, the remuneration paid/payable to the Company's independent auditors, Ernst & Young and Ernst & Young Hua Ming LLP, is set out below:

	Amount (RMB)
Interim review service	1,600,000
Annual audit service	4,800,000
Non-audit service	0
Total fees	6,400,000

AMENDMENTS TO THE ARTICLES

On 6 February 2015, the Company passed a resolution to approve and adopt the new Articles, which were effective on the Listing Date. The updated Articles have been published on the website of the Stock Exchange. On 21 May 2015, the second annual general meeting of the Company made amendments to the then applicable Articles. Save for the above, the Company has not made any significant changes to the Articles during the reporting period.

SHAREHOLDERS' RIGHTS

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

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

Shareholders who intend to put forward their enquiries to the Board could send their enquiries to the Company's headquarters in the PRC at B 49 Xisihuan South Road Fengtai District, Beijing, PRC or by email to ir@crsc.cn, or by fax at +86-10-51846610. Shareholders may contact Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

CORPORATE GOVERNANCE REPORT

CONVENING OF EXTRAORDINARY GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

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

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

PUTTING FORWARD PROPOSES AT SHAREHOLDERS' GENERAL MEETING

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

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

For the year ended 31 December 2015, the Company held a total of three shareholders' general meetings to address various matters including the review and approval of financial budget, final accounts, profit distribution, matters related to H share listing and authorization, amendments of the Company's basic system, material investment projects, work statements of the Board and the board of supervisors and the remuneration policy of directors and supervisors,

To promote effective communication, the Company maintains on its website up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted and are available for public access.

JOINT COMPANY SECRETARIES

The Company engages Ms. NG Wing Shan, the vice president of SW Corporate Services Group Limited, as one of the joint company secretaries of the Company. Her primary contact person of the Company is Mr. HU Shaofeng, being the other joint company secretary of the Company. Ms. Ng and Mr. Hu have undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2015.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND EMPLOYEE

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Name	Age	Present Title	Roles and Responsibilities
ZHOU Zhiliang (周志亮)	51	Executive Director, Chairman	Overseeing the overall work of the Board, and formulating the Company's strategies
LI Yangqing (李燕青)	60	Executive Director, Vice Chairwoman	Assisting with the work of our chairman, and supervising the implementation of the Board resolutions
YIN Gang (尹剛)	53	Executive Director, President	Overseeing the management of the Company's daily production and operations
WANG Jiajie (王嘉傑)	65	Independent Non- executive Director	Providing advices with regard to the corporate governance, connected transactions, the Company's business strategies, the nomination of the Directors and senior management of our Company, and auditing and risk management
SUN Patrick (辛定華)	57	Independent Non- executive Director	Providing advices with regard to the corporate governance, connected transactions, remuneration of Directors and senior management of our Company, and auditing and risk management
CHEN Jin'en (陳津恩)	62	Independent Non- executive Director	Providing advices with regard to the corporate governance, connected transactions, the Company's business strategies, nomination and remuneration of Directors and senior management of our Company
GAO Shutang (高樹堂)	66	Independent Non- executive Director	Providing advices with regard to the corporate governance, connected transactions, the Company's business strategies, remuneration of Directors and senior management, auditing and risk management, and production safety and product quality management

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND EMPLOYEE

Supervisors

Name	Age	Present Title	Roles and Responsibilities
TIAN Liyan (田麗豔)	42	Chairwoman of the Supervisory Committee	Overall work of the Supervisory Committee, organizing and supervising the management and the Board of Directors, making relevant suggestions
GAO Fan (高帆)	41	Supervisor	Supervising operations and financial activities
ZHAO Xiumei (趙秀梅)	42	Supervisor (Employee Representative Supervisor)	Supervising operations and financial activities

Senior Management

Name	Age	Present Title	Roles and Responsibilities
YIN Gang (尹剛)	53	President, Executive Director	Overseeing the management of the Company's daily production and operations
KONG Ning (孔寧)	51	General Accountant	In charge of the Company's financial work
CHEN Hong (陳紅)	53	Vice President	Assisting the president in daily production and operation
HUANG Weizhong (黃衛中)	50	Vice President	Assisting the president in daily production and operation
HU Shaofeng (胡少峰)	49	Board Secretary, Deputy General Accountant	In charge of information disclosure, investor relationship coordination, and preparation of general meetings and Board meetings

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND EMPLOYEE

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Mr. ZHOU Zhiliang, aged 51, has been the Company's chairman since 31 January 2012, and is mainly responsible for overseeing the overall work of the Board and formulating the Company's strategies. Mr. Zhou has been the general manager of CRSC Corporation Group since January 2012. Mr. Zhou was a vice president of CRCC (listed on the Stock Exchange, stock code: 1186; listed on the Shanghai Stock Exchange, stock code: 601186) from October 2007 to January 2012, during which Mr. Zhou served as chairman of China Railway Construction Investment Group Co., Ltd. (中國鐵建投資有限公司) from March 2011 to January 2012. From December 2004 to October 2007, Mr. Zhou was a deputy general manager of China Railway Construction Corp. (中國鐵道建築總公司). From November 2001 to December 2004, Mr. Zhou was the director of China Railway No.4 Survey & Design Group Co., Ltd. (鐵道部第四勘察設計院). From November 1996 to November 2001, Mr. Zhou successively served as director at No.2 Railway Survey and Design Department (第二勘测設計處) of, director at No.2 Railway Survey and Design Institute (第二勘测設計研究處) of, and chairman of Labor Union of China Railway No.4 Survey & Design Group Co., Ltd.

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

Ms. LI Yanqing, aged 60, has been the Company's vice chairwoman since 29 December 2010, and is mainly responsible for assisting with the work of our chairman, and supervising the implementation of Board resolutions. Ms. LI was the Deputy General Manager of CRSC Corporation Group from January 2000 to August 2001 and from December 2003 to May 2015. From June 1997 to January 2000, Ms. Li was successively the vice director and director of the Personnel Department of CRSC Corporation Group, director of Personnel and Education Department of CRSC Corporation Group, director of HR Department of CRSC Corporation Group. From September 1996 to June 1997, Ms. Li also served as the vice director of Students' Affairs Office of North Jiaotong University. From July 1988 to September 1996, Ms. Li was a faculty of communication control department of North Jiaotong University (北方交通大學), during which, Ms. Li was a visiting scholar at Education Department of UK University of East Anglia from May 1995 to May 1996.

Ms. Li graduated from railway telecommunication department of North Jiaotong University in March 1982, with a Bachelor's degree in engineering and majored in railway signal. In December 1999, Ms. Li was conferred the title of Senior Engineer by Ministry of Qualifications Review Committee for Senior Engineering (Management) Titles.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND EMPLOYEE

Mr. YIN Gang, aged 53, has been appointed as an executive Director since 21 May 2015 and president of the Company since 22 May 2015, and is mainly responsible for overseeing the management of the Company's daily production and operations. From December 2010 to May 2015, Mr. Yin was a vice president of the Company, during which, Mr. Yin served as the chairman of CRSCD from January 2012 to November 2012 and as Board secretary of our Company from April 2011 to May 2013. From August 2001 to May 2015, Mr. Yin was the deputy general manager of CRSC Corporation Group. From December 1996 to August 2001, Mr. Yin successively served as deputy general manager and general manager of Shenyang Railway Signal Factory (瀋陽鐵路信號工廠) (the predecessor of Shenyang Railway Communication Co., Ltd. (瀋陽鐵路信號有限責任公司)).

Mr. Yin graduated from Dalian Railway Institute (大連鐵道學院) in July 1983, with a bachelor's degree in engineering and majored in metal material and heat treatment. In December 1999, he was conferred the title of Senior Engineer by the Qualification Review Committee for Senior Engineering Technical Position of China Railway Signal & Communication Company.

Independent Non-executive Directors

Mr. WANG Jiajie, aged 65, has been appointed as the Company's independent non-executive Director since 21 May 2015, and is mainly responsible for providing advice with regard to corporate governance, connected transactions, the Company's business strategies, nomination of the Directors and senior management of the Company and auditing and risk management. Mr. Wang is currently the arbitrator of China International Economic and Trade Arbitration Commission and the arbitrator of Beijing Arbitration Commission. Before joining our Company, Mr. Wang served in several positions in China General Technology (Group) Holding Co., Ltd. (中國通用技術 (集團) 控股有限責任公司), including serving as its general counsel from December 2004 to December 2010 and as the general manager of its legal department from July 1999 to December 2004. Mr. Wang also served in several positions in China National Technical Imp. & Exp. Corp. (中國技術進出口總公司), including serving as the general manager of its legal department from November 1998 to July 1999; and the vice general manager of its legal department from December 1991 to November 1998.

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

Mr. SUN Patrick, aged 57, has been appointed as the Company's independent non-executive Director since 21 May 2015. Mr. Sun currently serves as independent non-executive directors of several companies listed on the Hong Kong Stock Exchange, including Trinity Limited (利邦控股有限公司), Sihuan Pharmaceutical Holdings Group Ltd. (四環醫藥控股集團有限公司), China NT Pharma Group Company (中國泰凌醫藥集團有限公司) and Kunlun Energy Company Limited (昆侖能源有限公司). Mr. Sun is also the independent non-executive director of several companies listed on both the Shanghai Stock Exchange and Hong Kong Stock Exchange, including CRRC Corporation Limited (中國中車股份有限公司) and China Railway Construction Corporation Limited (中國鐵建股份有限公司). Mr. Sun is the vice chairman of the Chamber of Hong Kong Listed Companies and formerly served as the honorary secretary general of the Chamber (2013-2015).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND EMPLOYEE

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

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

Mr. CHEN Jin'en, aged 62, has been appointed as an independent non-executive Director since 21 May 2015, and is mainly responsible for providing advice with regard to corporate governance, connected transactions, the Company's business strategies, nomination and remuneration of the Directors and senior management of the Company. Before joining our Company, from March 2010 to August 2013, Mr. Chen was the vice chairman of China Energy Conservation and Environmental Protection Group (中國節能環保集團公司). Mr. Chen also served as a non-executive director of Billion Industrial Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 2299) from September 2012 to March 2013. Mr. Chen also served several positions in China Energy Conservation Investment Co., Ltd. (中國節能投資公司), including serving as its deputy general manager from October 2004 to March 2010, its vice chairman from September 2001 to October 2004. From November 2000 to September 2001, Mr. Chen was the head of the working department of the supervisory committee of Central Work Committee for Enterprises (中央企業工委). From August 1998 to November 2000, Mr. Chen was the deputy director of General Administration Office of Special Inspector of Ministry of Personnel (人事部稽查特派員總署辦公室). From July 1988 to August 1998, Mr. Chen served as a deputy director, director and assistant supervisor of the Department of Title of Ministry of Personnel (人事部職稱司).

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND EMPLOYEE

Mr. GAO Shutang, aged 66, has been appointed as an independent non-executive Director since 21 May 2015, and is mainly responsible for providing advice with regard to corporate governance, connected transactions, the Company's business strategies, remuneration of Directors and senior management, auditing and risk management, and product quality and production safety management. Before joining in our Company, Mr. Gao served as a director of China Railway Engineering Corporation (中國鐵路工程總公司) from September 2006 to September 2007 and as chairman of the supervisory committee of China Railway Group Limited (中國中鐵股份有限公司) (listed on the Hong Kong Stock exchange, stock code: 390; listed on the Shanghai Stock Exchange, stock code: 601390) from September 2007 to June 2009, during which periods, from September 2007 to December 2009, he served as the director of China Railway Group Limited Hongda Center (中鐵宏達中心). From May 2001 to September 2006, Mr. Gao was the secretary to the disciplinary committee of China Railway Engineering Corporation. Mr. Gao served as the chairman of the board of directors of China Railway Group Limited the Fifth Bureau Group (中鐵五局集團) from August 2002 to December 2003. He also served as the chairman of China Railway Electrification Engineering Group Co. (中鐵電氣化局集團有限公司) from December 2003 to January 2008. From July 2009 to July 2013, Mr. Gao was the chairman of the third session of the supervision committee of Beijing Public Company Association (北京上市公司協會).

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

Supervisors

Ms. TIAN Liyan, aged 42, has been appointed as the chairwoman of the Supervisory Committee of our Company since 21 May 2015, and is mainly responsible for overall work of the Supervisory Committee, organizing and supervising the management and the Board of Directors, making relevant suggestions. Ms. Tian has served several positions in CRSCD, including serving as its general counsel from August 2013 to July 2015, as one of its directors from February 2012 to July 2015 and as its chief accountant from February 2007 to July 2015. Ms. Tian has also been a director of Thales Transport Automation Control Systems (Beijing) Co., Ltd. (北京泰雷茲交通自動化控制系統有限公司) from October 2013 to July 2015. From June 2012 to October 2013, Ms. Tian was a supervisor of Thales Transport Automation Control Systems (Beijing) Co., Ltd.. From November 2005 to February 2007, Ms. Tian was the deputy chief accountant and head of the asset and finance department of the CRSCD; from October 2005 to November 2005, Ms. Tian was an accountant and deputy head of the asset and finance department of CRSCD; from July 1999 to October 2005, Ms. Tian was also a manager of the audit department of Deloitte Touche Tohmatsu CPA Ltd. (Beijing Branch).

Ms. Tian graduated from the accounting department of Dongbei University of Finance (東北財經大學) with a master's degree in economics in April 1997, and graduated from the accounting department of Shanxi Finance and Economics College with a bachelor's degree in economics in July 1994. Ms. Tian obtained CPA certificate in January 2000 and was appointed as a senior accountant by CRSCD in May 2012.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND EMPLOYEE

Mr. GAO Fan, aged 41, has been appointed as a Supervisor since 21 May 2015, and is mainly responsible for supervising operations and financial issues. Since March 2016, Mr. Gao has been the general manager of public equity department of CRHC. He was a deputy general manager of the investment development department of CRHC from July 2014 to March 2016 and was a deputy general manager of comprehensive business department of CRHC from January 2012 to October 2014. Mr. Gao also served as the general manager of business development department of Zhuhai Zhen Rong Company (珠海振戎公司) from February 2004 to December 2011 and a project manager of Zhen Rong International Petroleum Company Limited (振戎國際石油有限公司) from December 2001 to November 2006. From April 1999 to November 2001, Mr. Gao was also a project manager of corporate business department in the headquarters of the Bank of China Limited.

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

Ms. ZHAO Xiumei, aged 42, has been appointed as an employee representative Supervisor since 21 May 2015, and is mainly responsible for supervising operations and financial activities. Ms. Zhao has served as a supervisor of the legal department of our Company since December 2010. Ms. Zhao also served as a supervisor of the legal department of CRSC Corporation Group from December 2005 to December 2010, and a translator and an administrative supervisor of the general office of CRSC Corporation Group from May 2002 to December 2005. Ms. Zhao worked at CRSC Corporation Group Three Series System Control Communication Technology Co., Ltd. (中國鐵路通信信號總公司三系程控通信技術公司) from August 1996 to June 2002, during which, Ms. Zhao served as a translator of the Committee of Railway Cooperation Organization (Warsaw, Poland) from May 1998 to April 2002.

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

Senior Management

Mr. YIN Gang, aged 53, is the president of the Company. For biography of Mr. Yin, please see the section headed “—Directors”.

Mr. KONG Ning, aged 51, has been the Company's chief accountant since 29 December 2010, and is mainly in charge of our financial work. Mr. Kong was the chief accountant of CRSC Corporation Group from November 2004 to May 2015. Mr. Kong served as head of finance department in the finance department of China Huanqiu Contracting & Engineering Corporation (中國寰球化學工程公司) and the chief accountant of HQCEC (HB) (華北規劃設計院) from August 2001 to November 2004; as the deputy chief of financial department of Medicament Joint Venture Company (安徽省醫藥聯合經營公司) in Anhui province (renamed as Anhui Hua Shi Medicament Co., Ltd. (安徽華氏醫藥有限公司)) from April 1996 to August 2001.

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND EMPLOYEE

Mr. CHEN Hong, aged 53, has been the Company's vice president since April 2013, and is mainly responsible for assisting the president in daily production and operation. Mr. Chen was an employee representative Director from December 2010 to May 2015, chairman of our labor union from April 2011 to April 2013, and assistant to president of our Company from February 2012 to April 2013. Mr. Chen was chairman of China Railway Signal & Communication Shanghai Engineering Bureau Group Co., Ltd. (中國鐵路通信信號上海工程局集團有限公司) ("CRSCS") from September 2013 to October 2014, chairman of Innovation Investment (創新投資) from August 2012 to February 2014. Mr. Chen was chairman of labor union of CRSC Corporation Group from March 2007 to April 2013. Mr. Chen also served as office director of CRSC Corporation Group from November 2004 to March 2007. Mr. Chen successively served as deputy general manager of China Railway Signal & Communication Shanghai Engineering Co., Ltd. (中國鐵路通信信號上海工程公司) (the predecessor of CRSCS) from June 2000 to November 2004, and office manager, project manager and assistant to general manager of this company from June 1992 to June 2000.

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

Mr. HUANG Weizhong, aged 50, has been the Company's Vice President since 18 April 2013, mainly responsible for assisting the president in daily production and operation. Mr. Huang served as the chairman of CRSCD from November 2012 to September 2014, as the director and general manager of CRSCD from November 2010 to November 2012, as the vice president of CRSCD from January 2004 to November 2010, as the director of CRSCD from December 1996 to January 2004.

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

Mr. HU Shaofeng, aged 49, has been the Company's Board Secretary since May 2013 and the deputy chief accountant since July 2012, and is mainly in charge of information disclosure, investor relationship coordination, and preparation of general meetings and Board meetings. Mr. Hu has been the director of Innovation Investment (創新投資) since August 2012. Mr. Hu served as deputy general manager, chief accountant and general counsel of China Railway Construction Heavy Industry Co., Ltd. (中國鐵建重工集團有限公司) from December 2011 to July 2012. Mr. Hu served as the chief accountant of China Railway Track Systems Group Co., Ltd. (中鐵軌道系統集團) from May 2007 to December 2011. Mr. Hu served as deputy chief accountant of the China Railway No.4 Survey & Design Group Co., Ltd. (鐵道部第四勘察設計院) from February 2004 to October 2006, as the director of financial department of the China Railway No. 4 Survey & Design Group Co., Ltd. from February 2004 to April 2005, as the assistant to director and deputy director of financial department of the China Railway No. 4 Survey & Design Group Co., Ltd. from February 2002 to February 2004.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND EMPLOYEE

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

Joint Company Secretaries

Mr. HU Shaofeng, aged 49, has been the Company's Board Secretary since May 2013. Please refer to the sub-section headed "Senior Management" in this section for biographical details of Mr. Hu.

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

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR INFORMATION

There were no changes in any Director, Supervisor, Senior Management of the Company between the listing date and the date of this announcement.

Change of information of Director and Supervisor or President which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the 2015 interim report of the Company are as follows:

In February 2016, Mr. Patrick Sun, independent non-executive director of the Company, was appointed as independent non-executive director of Kunlun Energy Company Limited (昆侖能源有限公司) which is listed on the Hong Kong Stock Exchange.

Since March 2016, Mr. Gao Fan, a Supervisor of the Company, has been the general manager of public equity department of CRHC, and has ceased to be a deputy general manager of the investment development department of CRHC.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND EMPLOYEE

Employees

Staff Composition

As at 31 December 2015, the Group had a total of 16,584 full-time employees. The number of employee of the respective entities is set out as below:

Distribution	Number of Employees
The Company	115
Subsidiaries of the Company	16,469
Total	16,584

Staff Incentive

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

Staff Training

The Group places high importance on establishing a corporate culture and focuses on improving the overall employee quality by proactively implementing a comprehensive staff training initiative by levels and layers. During the reporting period, in accordance with the Company's strategy and key task arrangement of the year and supported by the training system infrastructure of the Company, the Group focused on co-ordinating and planning company-level training programs, covering aspects including system, course, teaching staff and management. As at 31 December 2015, the Group provided training to 44,210 employees with a total of 243,920 learning hours, and the total training cost amounted to RMB19.0 million.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND EMPLOYEE

Employee Evaluation and Remuneration

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

Pension Scheme

In 2015, the Company had a total of 10,827 retired employees. Those employee are entitled to the endowment insurance scheme approved by the Ministry of Labour and Social Security. The Company has established an enterprise annuity system which serves as a supplementary pension system providing a certain level of income security for retired employees who fulfil certain requirements and participate on a voluntary basis. The Company and participating employees make contribution according to certain ratios while the trustee commissions a third-party legal entity to act as account manager, custodian and investment manager to perform fund management and investment operation. According to the regulation of this pension system, the pension payment will be made when the employee retires.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	3	23,951,553	17,328,643
Cost of sales	5	(17,936,850)	(13,134,039)
Gross profit		6,014,703	4,194,604
Other income and gains	3	706,792	756,924
Selling and distribution expenses		(646,558)	(458,625)
Administrative expenses		(2,826,582)	(2,158,320)
Other expenses		(117,616)	(29,466)
Finance costs	4	(51,758)	(14,736)
Share of profits and losses of:			
Joint ventures		35,037	143,207
Associates		30,144	39,327
PROFIT BEFORE TAX	5	3,144,162	2,472,915
Income tax expense	6	(520,684)	(433,000)
PROFIT FOR THE YEAR		2,623,478	2,039,915
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax:			
Re-measurement losses on defined benefit plans, net of tax benefit plans, net of tax		(103,716)	(99,696)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,519,762	1,940,219
Profit attributable to:			
Owners of the parent		2,496,403	2,033,469
Non-controlling interests		127,075	6,446
		2,623,478	2,039,915
Total comprehensive income attributable to:			
Owners of the parent		2,392,687	1,933,773
Non-controlling interests		127,075	6,446
		2,519,762	1,940,219
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted (expressed in RMB per share)	7	0.32	0.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,105,083	2,749,777
Prepaid land lease payments		2,277,608	2,011,580
Investment properties		3,918	—
Goodwill		267,225	236,699
Other intangible assets		588,710	689,148
Investments in joint ventures		241,692	141,655
Investments in associates		181,289	202,464
Available-for-sale investments		62,709	2,359
Deferred tax assets		147,444	115,405
Trade receivables	9	935,737	595,955
Prepayments, deposits and other receivables		208,125	4,587
Total non-current assets		8,019,540	6,749,629
CURRENT ASSETS			
Prepaid land lease payments		59,747	47,330
Inventories		2,689,098	2,861,486
Trade and bills receivables	9	8,285,130	7,324,348
Prepayments, deposits and other receivables		2,466,214	1,959,649
Amounts due from contract customers	8	5,904,875	3,110,558
Tax recoverable		29,212	14,374
Pledged deposits	10	198,549	163,466
Cash and cash equivalents	10	14,339,794	6,345,708
Total current assets		33,972,619	21,826,919
CURRENT LIABILITIES			
Trade and bills payables	11	10,954,247	6,985,712
Amounts due to contract customers	8	3,998,934	3,136,332
Other payables, advances from customers and accruals		5,501,037	4,416,537
Interest-bearing bank and other borrowings		429,446	227,626
Provisions for supplementary retirement benefits		73,557	71,916
Tax payable		190,674	144,049
Government grants		9,755	11,694
Provisions		35,481	—
Total current liabilities		21,193,131	14,993,866
NET CURRENT ASSETS		12,779,488	6,833,053
TOTAL ASSETS LESS CURRENT LIABILITIES		20,799,028	13,582,682

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

		31 December 2015	31 December 2014
	Note	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		20,799,028	13,582,682
NON-CURRENT LIABILITIES			
Trade payables	11	34,024	75,012
Interest-bearing bank and other borrowings		37,982	89,932
Provisions for supplementary retirement benefits		682,273	618,692
Deferred tax liabilities		74,252	88,767
Government grants		112,741	130,379
Provisions		122,574	104,601
Total non-current liabilities		1,063,846	1,107,383
Net assets		19,735,182	12,475,299
EQUITY			
Equity attributable to owners of the parent			
Share capital		8,789,819	7,000,000
Reserves		10,053,470	4,663,725
		18,843,289	11,663,725
Non-controlling interests		891,893	811,574
Total equity		19,735,182	12,475,299

1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

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

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

2. OPERATING SEGMENT INFORMATION

The Group's revenue and contribution to consolidated results are mainly derived from the rendering of rail transportation control system projects, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management (e.g. the president and vice president) for purposes of resource allocation and performance assessment. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Geographical information

(a) Revenue from external customers

	2015 RMB'000	2014 RMB'000
Mainland China	23,434,313	16,751,965
Other countries	517,240	576,678
	<u>23,951,553</u>	<u>17,328,643</u>

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2. OPERATING SEGMENT INFORMATION (Continued)

Geographical information (Continued)

(b) Non-current assets

	31 December 2015 RMB'000	31 December 2014 RMB'000
Mainland China	<u>6,870,335</u>	<u>6,031,323</u>

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

Information about major customers

No revenue from a single customer contributed 10% or more to the Group's revenue for the years ended 31 December 2015 and 2014.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3. REVENUE, OTHER INCOME AND GAINS

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

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

	Note	2015 RMB'000	2014 RMB'000
<u>Revenue</u>			
Design and integration		5,808,424	4,908,771
Equipment manufacturing		6,903,242	5,870,725
System implementation		7,438,153	5,368,037
Others		3,801,734	1,181,110
		23,951,553	17,328,643
<u>Other income and gains</u>			
Interest income		95,352	49,295
Government grants		165,869	124,949
Gain on disposal of a non-current asset held for sale		—	393,904
Gain on disposal of items of property, plant and equipment		—	25,615
Gain on disposal of a subsidiary and an associate		2,717	9,102
Gain on remeasurement of the previously held interest in an acquiree at its acquisition-date fair value		—	135,165
Gain on remeasurement of the previously held interest in a step acquisition of a subsidiary		—	—
Foreign exchange differences, net	(a)	405,236	—
Others		37,618	18,894
		706,792	756,924

(a) Included an exchange gain RMB 355.4 million arising from the exchange of most of the HK dollars received from the issuance of the Company's H shares into Renminbi during the year ended 31 December 2015.

4. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on bank loans and other borrowings wholly repayable:	50,181	19,932
Interest on discounted bills receivable	1,577	805
Interest capitalised	—	(6,001)
	51,758	14,736

NOTES TO FINANCIAL STATEMENTS

31 December 2015

5. PROFIT BEFORE TAX

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

	2015 RMB'000	2014 RMB'000
Cost of sales	17,936,850	13,134,039
Depreciation of items of property, plant and equipment	346,134	343,543
Amortisation of prepaid land lease payments	50,536	34,813
Amortisation of other intangible assets	137,703	35,658
Total depreciation and amortisation	534,373	414,014
Impairment of trade receivables	90,717	12,121
Impairment/(reversal of impairment) of deposits and other receivables	17,507	(178)
Write-down of inventories to net realisable value	5,655	2,342
Provision for foreseeable losses on contracts	4,037	3,891
Lease expenses under operating leases of land and buildings	87,343	71,412
Auditors' remuneration	8,200	2,400
Employee benefit expenses (including Directors' and supervisors' remuneration):		
Wages, salaries and allowances	2,027,936	1,434,076
Retirement benefit costs		
– Defined contribution retirement schemes	378,944	290,552
– Defined benefit retirement schemes and early retirement costs	40,059	46,947
Total retirement benefit costs	419,003	337,499
Welfare and other expenses	588,139	418,758
Research and development costs	1,012,769	749,873
Government grants	(165,869)	(124,949)
Product warranty provision:		
Additional provision	94,771	37,214
Reversal of provision	(1,227)	(305)
	93,544	36,909
Interest income	(95,352)	(49,295)
Write-off of deferred development costs	—	28,304
Gain on disposal of a non-current asset held for sale	—	(393,904)
Loss/(gain) on disposal of items of property, plant and equipment	2,428	(25,615)
Losses on disposal of other intangible assets	43	—
Gain on disposal of a subsidiary and an associate	(2,717)	(9,102)
Gain on remeasurement of the previously held interest in an acquiree at its acquisition-date fair value in a step acquisition of a subsidiary	—	(135,165)
Losses on forward commodity purchase contracts	6,963	14,391
Foreign exchange differences, net	(405,236)	3,132

NOTES TO FINANCIAL STATEMENTS

31 December 2015

6. INCOME TAX EXPENSE

The Company and certain subsidiaries have been accredited as “high and new technology enterprises” and were entitled to a preferential income tax rate of 15% for the years ended 31 December 2015 and 2014, in accordance with the PRC Corporate Income Tax Law. Other entities within the Group in Mainland China have been subject to corporate income tax at the statutory rate of 25%.

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

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong during the years ended 31 December 2015 and 2014.

	2015 RMB'000	2014 RMB'000
Current income tax - Mainland China		
Charge for the year	557,560	381,259
(Overprovision)/underprovision for the prior years	(3,268)	6,338
Deferred income tax	(33,608)	45,403
Tax charge for the year	<u>520,684</u>	<u>433,000</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year ended 31 December 2015.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

	2015 RMB'000	2014 RMB'000
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	<u>2,496,403</u>	<u>2,033,469</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	<u>7,712,873</u>	<u>7,000,000</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2015

8. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	31 December 2015 RMB'000	31 December 2014 RMB'000
Amount due from contract customers	5,904,875	3,110,558
Amount due to contract customers	(3,998,934)	(3,136,332)
	<u>1,905,941</u>	<u>(25,774)</u>
	31 December 2015 RMB'000	31 December 2014 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	80,690,707	64,999,980
Less: Progress billings received and receivable	(78,784,766)	(65,025,754)
	<u>1,905,941</u>	<u>(25,774)</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2015

9. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period offered by the Group is six months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

		31 December 2015	31 December 2014
	Note	RMB'000	RMB'000
Trade receivables		9,050,830	7,569,475
Provision for impairment		(545,395)	(433,582)
Trade receivables, net		8,505,435	7,135,893
Bills receivable		715,432	784,410
		9,220,867	7,920,303
Portion classified as non-current assets	(i)	(935,737)	(595,955)
Current portion		8,285,130	7,324,348

Note:

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

9. TRADE AND BILLS RECEIVABLES (Continued)

An aged analysis of the Group's trade and bills receivables, based on the billing date and net of provision for impairment of trade receivables, as at 31 December 2015 and 2014 respectively is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within 1 year	6,966,725	6,142,789
1 to 2 years	1,393,856	1,295,643
2 to 3 years	522,564	336,235
Over 3 years	337,722	145,636
	9,220,867	7,920,303

NOTES TO FINANCIAL STATEMENTS

31 December 2015

10. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2015 RMB'000	31 December 2014 RMB'000
Cash and bank balances	11,475,109	5,368,738
Time deposits	3,063,234	1,140,436
	14,538,343	6,509,174
Less: Pledged bank balances for performance guarantees and for issuance of letters of credits	(198,549)	(163,466)
Cash and cash equivalents in the consolidated statement of financial position	14,339,794	6,345,708
Less: Non-pledged time deposits with original maturity of more than three months when acquired	(2,919,856)	(428,160)
Cash and cash equivalents in the consolidated statement of cash flows	11,419,938	5,917,548
Cash and bank balances and time deposits denominated in		
– RMB	13,340,823	6,366,300
– Other currencies	1,197,520	142,874
	14,538,343	6,509,174

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

11. TRADE AND BILLS PAYABLES

		31 December 2015	31 December 2014
	Note	RMB'000	RMB'000
Trade payables		10,499,116	6,683,093
Bills payable		489,155	377,631
		10,988,271	7,060,724
Portion classified as non-current liabilities	(i)	(34,024)	(75,012)
Current portion		10,954,247	6,985,712

- (i) The non-current portion of trade payables mainly represents the amount of retentions from suppliers of the Group at 31 December 2015 and 2014.

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

	31 December 2015	31 December 2014
	RMB'000	RMB'000
Within 1 year	8,859,851	5,462,818
1 to 2 years	1,617,804	1,075,883
2 to 3 years	233,371	209,448
Over 3 years	277,245	312,575
	10,988,271	7,060,724

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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

DEFINITIONS

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

“ALSTOM”	ALSTOM Holdings and/or its subsidiaries
“ALSTOM Holdings”	Alstom Holdings (阿爾斯通控股有限公司), a limited liability company established in France on June 14, 1989, a holding company of ALSTOM IC and a connected person of the Company
“ALSTOM IC”	Alstom Investment Company Limited (阿爾斯通投資(上海)有限公司), a limited liability company established in the PRC on 21 January 2015, holds 49% of the equity interests in CRSC CASCO, and is a connected person of the Company
“Board” or “Board of Directors”	the board of Directors of the Company
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Hong Kong Listing Rules
“CCT Group”	China Chengtong Holdings Group Ltd. (中國誠通控股集團有限公司), a wholly state-owned enterprise with limited liability established in the PRC on 22 January 1998, one of the Shareholders and promoters of the Company
“China” or the “PRC”	the People’s Republic of China excluding, for the purposes of this report, Hong Kong, Macau and Taiwan
“CICC Jiacheng”	ICC Jiacheng Investment Management Co., Ltd. (中金佳成投資管理有限公司), a limited liability company established in the PRC on 26 October 2007, and wholly owned by the China International Capital Corporation Limited (中國國際金融有限公司), one of the Shareholders and promoters of the Company,
“Company” or “our Company” or “we” or “us”	China Railway Signal & Communication Corporation Limited (中國鐵路通信信號股份有限公司), a joint stock limited liability company established in the PRC on 29 December 2010

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“2015” or “the year”	the year beginning from 1 January 2015 and ending on 31 December 2015
“Ernst & Young”	Ernst & Young/Ernst & Young Hua Ming LLP
“Prospectus”	The prospectus of the Company dated 28 July 2015
“Connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Connected Transaction”	has the meaning as defined in the Hong Kong Listing Rules, unless the context otherwise requires
“Controlling Shareholder”	has defined under the Hong Kong Listing Rules, and as at the Latest Practicable Date, refers to the controlling shareholder of the Company, being CRSC Corporation Group
“General Meeting”	general meeting of the Company
“Independent director”	a director holding no position other than that of being a director in the Company, and having no relationship with the Company and major shareholders of the Company as to hinder his/her independent and objective judgment
“associate”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CRCC”	China Railway Construction Corporation Ltd. (中國鐵建股份有限公司), a joint stock limited liability company established in the PRC on 5 November 2007
“CREC”	China Railway Group Ltd. (中國中鐵股份有限公司), a joint stock limited liability company established in the PRC on 12 September 2007
“CRHC”	China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司), a wholly state-owned enterprise with limited liability established in the PRC on 1 December 2010, one of the Shareholders and promoters of the Company
“CRSC” or “Group”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“CRSC CASCO”	Casco Signal Ltd. (卡斯柯信號有限公司), a limited liability company established in the PRC on 5 March 1986 and a direct non-wholly owned subsidiary of the Company. It is owned as to 51% by the Company and as to 49% by ALSTOM IC respectively

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“CRSC Corporation Group”	China Railway Signal Communication Corporation (中國鐵路通信信號集團公司), a wholly state-owned enterprise approved to be established by MOR on 8 May 1981 and registered in the PRC on 7 January 1984, the sole Controlling Shareholder and one of the promoters of the Company
“CRSC Innovation Investment”	CRSC Innovation Investment Company Ltd. (通號創新投資有限公司), a limited liability company established in the PRC on 21 September 2012 and a direct wholly-owned subsidiary of the Company
“CRSCD”	Beijing National Railway Research & Design Institute of Signal & Communication Co., Ltd. (北京全路通信信號研究設計院有限公司) (formerly known as Beijing National Railway Research & Design Institute (北京全路通信信號研究設計院)), a limited liability company established in the PRC on November 18, 1994 and a direct wholly-owned subsidiary of the Company
“CRSCS”	China Railway Signal & Communication Shanghai Engineering Bureau Group Co., Ltd. (中國鐵路通信信號上海工程局集團有限公司) (formerly known as China Railway Signal & Communication Shanghai Engineering Co., Ltd. (中國鐵路通信信號上海工程有限公司)), a limited liability company established in the PRC on August 21, 1984 and a direct wholly-owned subsidiary of the Company
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director”	a director of the Company
“Domestic Shares”	ordinary shares of the Company, with a nominal value of RMB1.00, which are subscribed for or credited as fully paid in Renminbi
“EIT”	enterprise income tax of the PRC
“H Shares”	ordinary shares of the Company, being overseas listed foreign shares with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“HK\$” or “HK dollars” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“IFRS”	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board (IASB)
“Independent Third Party”	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
“Listing”	the listing of H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel to the GEM
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOR”	the former Ministry of Railway of the PRC (中華人民共和國鐵道部)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NSSF”	National Council for Social Security Fund of the PRC (中華人民共和國全國社會保障基金理事會)
“PBOC”	the People's Bank of China (中國人民銀行), the central bank of the PRC
“Company Law”	the Company Law of the PRC (中華人民共和國公司法), as promulgated after being amended by the Standing Committee of the 12th National People's Congress of the PRC on 28 December 2013 and effective on 1 March 2014 (as amended, supplemented or otherwise modified from time to time)
“State”	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
“R&D”	research and development
“RMB” or “Renminbi”	Renminbi Yuan, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Shares”	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholders”	holders of the Shares
“SINOMACH”	China National Machinery Industry Corporation (中國機械工業集團有限公司), a wholly state-owned enterprise with limited liability incorporated in the PRC on 21 May 1988, one of the Shareholders and promoters of the Company
“State Administration of Taxation” or “SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Supervisors”	the supervisors of the Company
“Supervisory Committee”	the Supervisory Committee of the Company
“United States” or “U.S.”	the United States of America
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“Zhengzhou Zhongyuan”	Zhengzhou Zhongyuan Railway Engineering Co., Ltd. (鄭州中原鐵道工程有限責任公司), a limited liability company established in the PRC on 26 October 2001
“CASBE”	China Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the PRC
“Strategic and Investment Committee”	Strategic and Investment Committee of the Board
“Remuneration and Evaluation Committee”	Remuneration and Evaluation Committee of the Board
“Audit and Risk Management Committee”	Audit and Risk Management Committee of the Board
“Nomination Committee”	Nomination Committee of the Board
“Quality and Safety Committee”	Quality and Safety Committee of the Board
“Special committees”	collectively, Strategic and Investment Committee, Remuneration and Evaluation Committee, Audit and Risk Management Committee, Nomination Committee and Quality and Safety Committee

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Listing Date”	7 August 2015, the date on which the Company’s overseas listed foreign shares (H Shares) are listed on the Main Board of the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules
“reporting period”	A period of 12 months from 1 January 2015 to 31 December 2015
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“Senior Management”	the senior management of the Company
“subsidiary”	shas the meaning as defined under the Hong Kong Listing Rules, unless the context otherwise requires
“Substantial shareholder”	shas the meaning as defined under the Hong Kong Listing Rules, unless the context otherwise requires
“%”	per cent.

GLOSSARY OF TECHNICAL TERMS

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

“ATO”	the automatic train operation system, a system that automatically adjusts the speed and operation status of trains to automatically control a train’s operation
“balise”	an intermittent device used for ground-to-vehicle information transmission, including passive balise and active balise, whose main function is to provide the on-board train operation control equipment with reliable fixed and changeable data from the ground
“CBTC”	the wireless communication based train control system, a wireless communication system for urban transit that enables bidirectional communication between vehicle and ground to control the operation of trains
“communication system”	a system using information transmission and exchange technology for rail transportation
“high-speed railway”	passenger dedicated railway with an operating speed of 200km/h or higher
“intercity railway”	rapid, convenient and high-density passenger dedicated railway with a designed speed of 200km/h and lower, which is dedicated to serving cities or among cities

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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