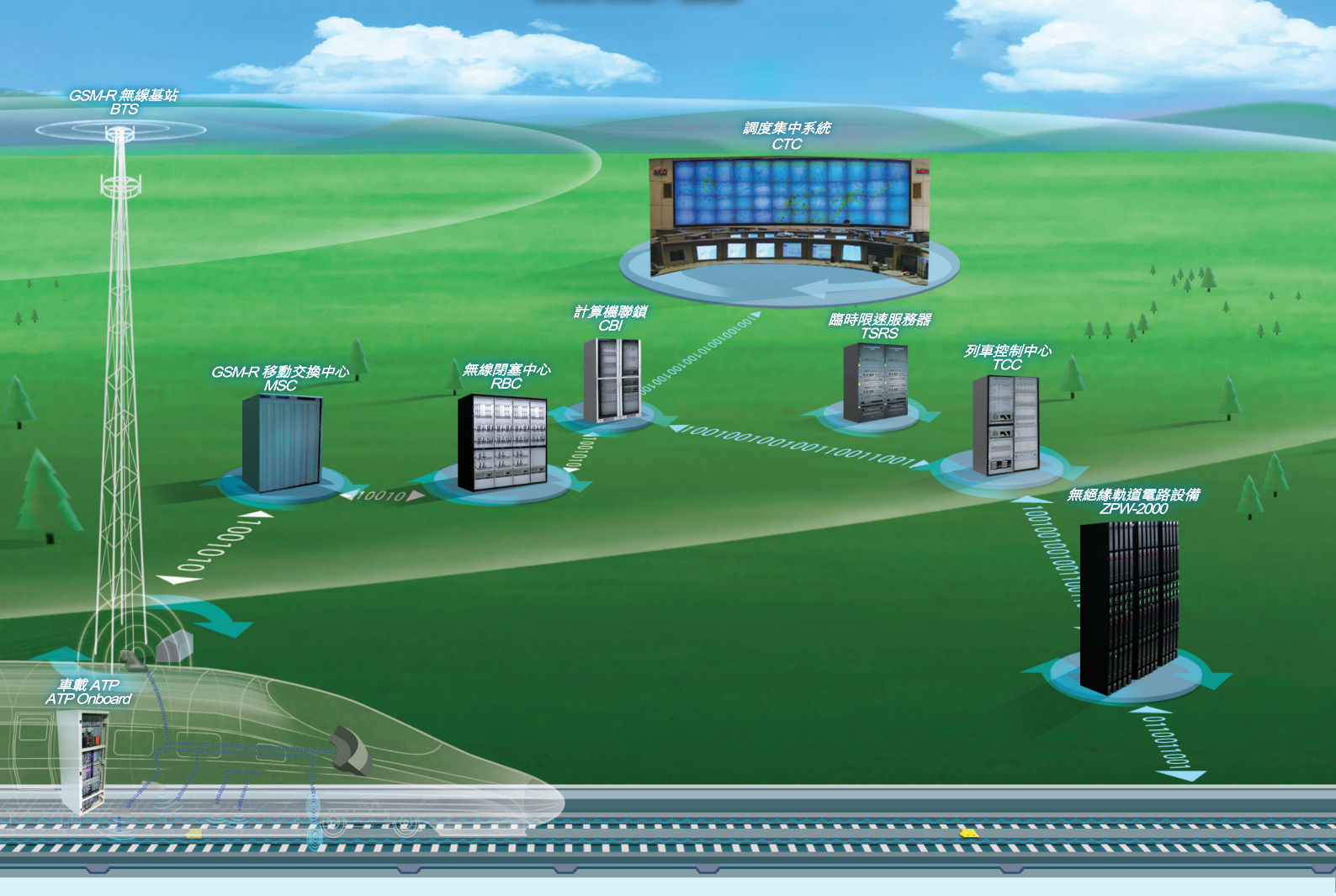
China Railway Signal & Communication Corporation Limited*

中國鐵路通信信號股份有限公司

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

Stock code : 3969



GLOBAL OFFERING

Joint Sponsors

Financial Advisor

Joint Global Coordinators

Joint Bookrunners and Joint Lead Managers

*For identification only

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**1,750,000,000 H Shares (subject to the Over-allotment Option)**
Number of International Offer Shares	**:**	**1,662,500,000 H Shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Public Offer Shares	**:**	**87,500,000 H Shares (subject to adjustment)**
Maximum Offer Price	**:**	**HK$8.00 per H Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**3969**

Joint Sponsors

citi Morgan Stanley UBS

Financial Advisor

MACQUARIE

Joint Global Coordinators

citi Morgan Stanley UBS MACQUARIE BOC INTERNATIONAL Goldman Sachs CMS 招商证券

Joint Bookrunners and Joint Lead Managers

citi Morgan Stanley UBS MACQUARIE BOC INTERNATIONAL Goldman Sachs CMS 招商证券 招银国际 CMB INTERNATIONAL 海通國際 HAITONG

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, 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 prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix VII — Documents Delivered to the Registrar of Companies and Available for Inspection", has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

We are incorporated, and most of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong, and the fact that there are different risks relating to investment in PRC incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set forth in "Risk Factors", "Appendix III — Tax and Foreign Exchange", "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of the Articles of Association" in this prospectus.

The Offer Price is expected to be determined by agreement between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around July 31, 2015 or such later time as may be agreed by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), but in any event no later than August 3, 2015. The Offer Price will be not more than HK$8.00 per Offer Share and is currently expected to be not less than HK$6.30 per Offer Share. Investors applying for Hong Kong Public Offer Shares must pay, on application, the maximum Offer Price of HK$8.00 per Offer Share, unless otherwise announced, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than the price per Offer Share payable on application.

The Joint Global Coordinators (for themselves, and on behalf of the Joint Bookrunners and Underwriters) may, with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK$6.30 to HK$8.00 per Offer Share) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.crsc.cn**. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Public Offer Shares, are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain events shall occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (1) to QIBs in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

* For identification only.

July 28, 2015

EXPECTED TIMETABLE [1]

Latest time to complete electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2] . . . . . 11:30 a.m. on Friday, July 31, 2015

Application lists open[3] . . . . . 11:45 a.m. on Friday, July 31, 2015

Latest time to lodge **WHITE** and **YELLOW** Application Forms . . . 12:00 noon on Friday, July 31, 2015

Latest time to give **electronic application instructions** to HKSCC [4] . 12:00 noon on Friday, July 31, 2015

Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Friday, July 31, 2015

Application lists close . . . . . 12:00 noon on Friday, July 31, 2015

Expected Price Determination Date . . . . . Friday, July 31, 2015

Announcement of the Offer Price . . . . . Thursday, August 6, 2015

Announcement of:

- the level of application in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allocation of the Hong Kong Public Offer Shares to be published (a) in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese); (b) on our website at **www.crsc.cn**[5] and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**[6] on or before . . . . . Thursday, August 6, 2015

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) to be available through a variety of channels (see "How to Apply for Hong Kong Public Offer Shares — Publication of Results") from . . . . . Thursday, August 6, 2015

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function ..... Thursday, August 6, 2015

H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS[7] ..... Thursday, August 6, 2015

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched on or before[7][8][9] ..... Thursday, August 6, 2015

Dealings in H Shares on the Hong Kong Stock Exchange expected to commence at ..... 09:00 a.m. on Friday, August 7, 2015

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated. Details of the arrangement for the Global Offering, including conditions of the Hong Kong Public Offering, are set out in the section "Structure of the Global Offering" of this prospectus.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application through the designated website at **www.eipo.com.hk** and obtained an application reference number prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, July 31, 2015, the application lists will not open on that day. See "How to Apply for Hong Kong Public Offer Shares — Effect of Bad Weather on the Opening of the Application Lists" of this prospectus.

(4) Applicants who apply for the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should see "How to Apply for Hong Kong Public Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC via CCASS" of this prospectus.

(5) None of the website or any of the information contained on the website forms part of this prospectus.

(6) The announcement will be available for viewing on the Hong Kong Stock Exchange's website at **www.hkexnews.hk**.

(7) Applicants who apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by their Application Forms, they may collect their refund cheque(s) (if applicable) and H Share certificates (if applicable) in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, August 6, 2015. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations (if applicable) must produce, at the time of collection,

evidence of identity acceptable to our H Share Registrar. Uncollected refund cheques and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in the section "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

(8) Applicants who apply through the **White Form eIPO** service and paid their applications monies through single bank accounts will have refund monies (if any) dispatched to their application payment bank account, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts will have refund monies (if any) dispatched to the address as specified in their application instructions to the **White Form eIPO** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

(9) Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

The H Shares certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date (which is expected to be on or about Friday, August 7, 2015). Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Shares certificates becoming valid certificates of title do so entirely at their own risk.

The above expected timetable is a summary only. See "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Public Offer Shares.

CONTENTS

IMPORTANT INFORMATION TO INVESTORS

This prospectus is issued by China Railway Signal & Communication Corporation Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell, or a solicitation of an offer to subscribe for or buy, any security other than the Hong Kong Public Offer Shares offered under the Hong Kong Public Offering as set out in this prospectus. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus, in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on or considered as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Financial Advisor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, consultants, agents or representatives or any other persons or parties involved in the Global Offering. The information contained in our website **www.crsc.cn** does not form part of this prospectus.*

Page

Expected Timetable i

Contents iv

Summary 1

Definitions 19

Glossary of Technical Terms 39

Forward-Looking Statements 45

Risk Factors 47

Information about this Prospectus and the Global Offering 78

Waivers from Strict Compliance with the Hong Kong Listing Rules 83

CONTENTS

Page

Directors, Supervisors and Parties Involved in the Global Offering 94

Corporate Information 101

Industry Overview 103

Regulatory Environment 117

Our History and Development 138

Business 161

Relationship with our Controlling Shareholder 246

Connected Transactions 253

Directors, Supervisors and Senior Management 266

Substantial Shareholder 286

Share Capital 288

Financial Information 293

Future Plans and Use of Proceeds 363

Our Cornerstone Investors 366

Underwriting 379

Structure of the Global Offering 391

How to Apply for Hong Kong Public Offer Shares 403

Appendix I — Accountants' Report I-1

Appendix II — Unaudited Pro Forma Financial Information II-1

Appendix III — Tax and Foreign Exchange III-1

Appendix IV — Summary of Principal Legal and Regulatory Provisions IV-1

Appendix V — Summary of the Articles of Association V-1

Appendix VI — Statutory and General Information VI-1

Appendix VII — Documents Delivered to the Registrar of Companies and Available for Inspection VII-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in our H Shares.

There are risks associated with any investment. Some of the particular risks in investing in our H Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in our H Shares.

OVERVIEW

We have been the largest rail transportation control system solution provider in the world in terms of revenue since 2009, according to the Sullivan Report. We derive revenue mainly from the PRC, the largest market for rail transportation control system in the world as of 2014. We are a pioneer and market leader in the PRC rail transportation control system industry and, as a state-owned enterprise, a key enterprise to ensure the safe and efficient operation of rail transportation in the PRC. As of March 31, 2015, we were the sole supplier of the train dispatch and command system of the National Railway Dispatch and Command Center, and our core control system products were widely used in railway networks across the PRC. With relentless focus on technology as the core of our business, we had 700 registered patents and 186 pending patent applications as of the Latest Practicable Date, and had led the formulation of predominantly all the industry standards for rail transportation control systems in the PRC. We provide specialized one-stop solution of design and integration, equipment manufacturing and system implementation services for rail transportation control systems to our customers. Through our "three-in-one" business model, we have become the only rail transportation control system solution provider in the world that is capable of independently providing the entire suite of products and services with competitive advantages across the whole industry chain.

OUR PRINCIPAL BUSINESSES

We have the following three main business lines:

- *Design and integration*: We provide engineering design and system integration services for rail transportation control system projects, and offer integrated solutions designed to achieve functionality and performance of control system;

- *Equipment manufacturing*: We manufacture and sell signal system products, communication information system products and other products; and

- *System implementation*: We provide construction, installation, testing and maintenance services for rail transportation control system projects.

We also provide municipal engineering and related construction services and engage in commodities trading.

The table below sets forth our revenue breakdown by business lines for the periods indicated:

	Year ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Design and integration	3,551,245	33.7	3,478,596	26.6	4,908,771	28.3	857,888	25.6	1,346,443	28.3
Equipment manufacturing	4,157,659	39.4	4,960,899	38.0	5,870,725	33.9	1,365,973	40.8	1,730,041	36.4
System implementation	2,842,008	26.9	4,167,894	31.9	5,368,037	31.0	1,015,478	30.3	1,255,408	26.4
Other businesses	—	—	457,196	3.5	1,181,110	6.8	107,232	3.3	425,168	8.9
Total revenue	**10,550,912**	**100.0**	**13,064,585**	**100.0**	**17,328,643**	**100.0**	**3,346,571**	**100.0**	**4,757,060**	**100.0**

The following table sets forth the breakdown of our gross profit by business lines and gross profit of each business line as percentage of total gross profit for the periods indicated:

	Year ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Design and integration	1,109,753	38.3	1,204,210	35.0	1,633,777	38.9	316,269	35.0	510,808	40.0
Equipment manufacturing	1,468,012	50.6	1,733,903	50.4	1,915,478	45.7	465,614	51.5	621,075	48.6
System implementation	322,828	11.1	457,647	13.3	511,488	12.2	91,233	10.1	117,733	9.2
Other businesses	—	—	43,544	1.3	133,861	3.2	30,562	3.4	27,820	2.2
Total gross profit	**2,900,593**	**100.0**	**3,439,304**	**100.0**	**4,194,604**	**100.0**	**903,678**	**100.0**	**1,277,436**	**100.0**

The following table sets forth the breakdown of our gross profit margin by business lines for the periods indicated:

	Year ended December 31,			Three Months ended March 31,	
	2012	2013	2014	2014	2015
	%	*%*	*%*	*%*	*%*
Design and integration	31.2	34.6	33.3	36.9	37.9
Equipment manufacturing	35.3	35.0	32.6	34.1	35.9
System implementation	11.4	11.0	9.5	9.0	9.4
Other businesses	N/A	9.5	11.3	28.5	6.5
Overall gross profit margin	**27.5**	**26.3**	**24.2**	**27.0**	**26.9**

OUR SALES AND CUSTOMERS

We adopt a direct sales model and conduct sales through our system integration department at our headquarters and the sales teams of our subsidiaries. Our sales are generally achieved through participating in competitive bidding processes independently or jointly with partners. We become the sole supplier of the train dispatch and command system of the National Railway Dispatch and Command Center through competitive bidding. Our success rate of bidding for railway transportation control system integration projects increased steadily, from 50.0% in 2012 to 52.9% in 2013 and 53.9% in 2014. In the three months ended March 31, 2015, our success rate of such bidding was 100%. In addition to bidding, our sales are also conducted by means of subcontracting.

Our largest customers in 2012, 2013, 2014 and the three months ended March 31, 2015 were Xiangpu Railway Limited Corporation (向莆鐵路股份有限公司), Lanxin Railway Ganqing Co., Ltd. (蘭新鐵路甘青有限公司), Hukun Passenger Dedicated Line Hunan Co., Ltd. (滬昆鐵路客運專線湖南有限責任公司) and China Railway Construction Electrification Bureau Group Co. Ltd. (中國鐵建電氣化局集團有限公司), respectively. In the railway sector, substantially all of our customers are CRC affiliated entities. In the urban transit sector, our customers are mostly metro construction companies and operation companies controlled by the local governments. All of our top five customers during the Track Record Period were Independent Third Parties. During the Track Record Period and as of the Latest Practicable Date, to the best knowledge of our Directors, none of our Directors, their respective associates or any of our Shareholders who held more than 5% of our issued share capital had any interest in our top five customers.

Railway is our most important end-market. In recent years, with the rapid development of urban transit networks, urban transit has also become one of our increasingly important end-markets. At the same time, we are also gradually expanding into overseas markets.

The following table sets forth our revenue breakdown by end-markets in the PRC and revenue generated from our overseas business for the periods indicated:

	Year ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Domestic business										
Railway	8,740,565	82.8	10,279,799	78.7	13,642,049	78.8	2,825,206	84.4	3,497,744	73.5
Urban transit	1,696,074	16.1	1,984,972	15.2	1,928,806	11.1	329,111	9.8	788,185	16.6
Other businesses	—	—	457,196	3.5	1,181,110	6.8	107,232	3.3	425,168	8.9
Sub-total	10,436,639	98.9	12,721,967	97.4	16,751,965	96.7	3,261,549	97.5	4,711,097	99.0
Overseas business	114,273	1.1	342,618	2.6	576,678	3.3	85,022	2.5	45,963	1.0
Total revenue	**10,550,912**	**100.0**	**13,064,585**	**100.0**	**17,328,643**	**100.0**	**3,346,571**	**100.0**	**4,757,060**	**100.0**

The following table sets forth the breakdown of our gross profit by end-markets and geographical locations and such gross profit as percentage of total gross profit for the periods indicated:

	Year ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Domestic business										
Railway	2,429,301	83.7	2,898,531	84.3	3,422,672	81.6	771,638	85.4	1,011,177	79.2
Urban transit	436,785	15.1	413,273	12.0	454,092	10.8	81,441	9.0	223,909	17.5
Other businesses	—	—	43,544	1.3	133,861	3.2	30,562	3.4	27,820	2.2
Sub-total	2,866,086	98.8	3,355,348	97.6	4,010,625	95.6	883,641	97.8	1,262,906	98.9
Overseas business	34,507	1.2	83,956	2.4	183,979	4.4	20,037	2.2	14,530	1.1
Total gross profit	**2,900,593**	**100.0**	**3,439,304**	**100.0**	**4,194,604**	**100.0**	**903,678**	**100.0**	**1,277,436**	**100.0**

The following table sets forth the breakdown of our gross profit margin by end-markets and geographical locations for the periods indicated:

	Year ended December 31,			Three Months ended March 31,	
	2012	2013	2014	2014	2015
	%	%	%	%	%
Domestic business					
Railway	27.8	28.2	25.1	27.3	28.9
Urban transit	25.8	20.8	23.5	24.7	28.4
Other businesses	N/A	9.5	11.3	28.5	6.5
Sub-total	27.5	26.4	23.9	27.1	26.8
Overseas business	30.2	24.5	31.9	23.6	31.6
Overall gross profit margin	**27.5**	**26.3**	**24.2**	**27.0**	**26.9**

For discussion of gross profit margins by end-markets and geographical locations, please refer to "Financial Information — Description of Selected Components of Our Income Statements — Gross Profit and Gross Profit Margin" starting from page 308 in this prospectus.

HISTORICAL VALUE OF NEWLY SIGNED CONTRACTS AND BACKLOG

The contract value represents the contractually-determined amount that we expect to collect after we have fulfilled the terms of a contract. The value of newly signed contracts represents the total contract value of all contracts signed during a certain period. For the years ended December 31, 2012, 2013 and 2014, the total values of our newly signed contracts were approximately RMB9,115.2 million, RMB22,038.4 million and RMB25,530.1 million, respectively. For the five months ended May 31, 2015, the total value of our newly signed contracts was approximately RMB11,154.9 million.

Backlog refers to the total estimated contract value of work that remains to be completed pursuant to outstanding contracts as of a certain date, assuming performance in accordance with the terms of the contract. Backlog is not a standard financial measure that has been defined by generally accepted accounting principles and may not indicate our future operating results. As of December 31, 2012, 2013 and 2014, our total backlog amounted to RMB4,851.6 million, RMB13,825.5 million and RMB26,812.1 million, respectively. As of May 31, 2015, our total backlog amounted to approximately RMB29,762.1 million, among which approximately RMB12,596.0 million, RMB9,490.4 million and RMB7,675.7 million is expected to be recognized as our revenue in 2015, 2016 and 2017 or beyond, respectively. The following table sets forth the breakdown of our backlog as of December 31, 2014 and May 31, 2015, respectively:

	As of December 31, 2014	As of May 31, 2015
	(RMB in million)	
Domestic business		
Railway	15,708.9	16,407.3
Urban transit	6,384.6	6,035.0
Other businesses	4,511.1	6,983.6
Sub-total	26,604.6	29,425.9
Overseas business	207.5	336.2
Total	**26,812.1**	**29,762.1**

OUR RESEARCH AND DEVELOPMENT

We have world-leading R&D capabilities and technologies. We have been investing substantial resources to enhance our R&D capabilities and been devoted to technical innovation and advanced product development of the rail transportation control system. As of March 31, 2015, we had two ministry-level engineering technology research centers, 11 provincial enterprise technology centers and four academician workstations. As of the March 31, 2015, we also had 61 R&D laboratories, among which we had two CRTCC authorized laboratories, four CNAS certified laboratories and five CMA certified laboratories. For the years ended December 31, 2012, 2013 and 2014, our R&D expenses were RMB443.7 million, RMB585.2 million and RMB749.9 million, respectively, representing 4.2%, 4.5% and 4.3% of our total revenue for the same periods, respectively. For the three

months ended March 31, 2015, our R&D expenses were RMB151.0 million, representing 3.2% of our total revenue for the same period. Our R&D capabilities are highly recognized and we have been granted various national awards multiple times, such as the First Prize of National Technology Progress Award, First Prize and Grand Prize for the Railway Technology Award by the China Railway Society. We are the authorized reviewer of rail transportation control system equipment modes, technology standards and product standards in the PRC. As of March 31, 2015, with respect to the technology standards in effect, we had led the formulation and revision of 199 system and product standards, including 12 national standards and 183 industry standards. We had also led the formulation and revision of 18 engineering construction standards, including 4 national standards and 14 industry standards. As to applied technologies used in rail transportation signal, where we are a market leader, we had developed 9 out of the 13 national standards and 91 out of the 159 industry standards. As of the Latest Practicable Date, we had 700 registered patents and 186 pending patent applications in the PRC.

OUR COMPETITIVE STRENGTHS

- We are the largest rail transportation control system solution provider in the world, and a key enterprise to ensure the safe and efficient operation of rail transportation in the PRC.

- Our world-leading and comprehensive R&D capabilities and technologies have solidified our prominent position in the industry.

- Our strategic coverage of rail transportation network in the PRC underpins our dominant market position and significant first-mover advantages, which enables us to benefit from the abundant market opportunities of the construction, maintenance and upgrade of rail transportation control systems in the PRC.

- As a leader in providing specialized one-stop solutions in the rail transportation control system sector, we are the only company in the world that can independently provide an entire suite of products and services covering the whole industry value chain.

- Our rail transportation control system solutions and core products have a sound record of safety and reliability during the Track Record Period.

- We have an experienced management team with outstanding track records and prominent industry expertise, and a distinctively robust talent pool in the industry.

OUR DEVELOPMENT STRATEGIES

- Continue to optimize our R&D system to ensure commercialization of our research achievements, so as to solidify and strengthen our industry leadership
- Continue to expand the industry value chain and enhance our capability to provide one-stop solutions
- Enter into new business segments and diversify the application of our technologies
- Grow our international business and expand our business presences in overseas markets
- Promote comprehensive business lines through expanding our general project management business and enhancing our capital management capabilities
- Further enhance our management efficiency and cultivate excellent corporate culture

CORPORATE STRUCTURE AND OUR CONTROLLING SHAREHOLDER

CRSC Corporation Group is a wholly state-owned enterprise and is our sole Controlling Shareholder, who holds approximately 96.8343% of the equity interests in our Company. As of the Latest Practicable Date, its registered share capital was approximately RMB2,694 million. Immediately following the completion of the Global Offering, assuming no exercise of the Over-allotment Option, CRSC Corporation Group will hold approximately 75.52% of the Shares, and will continue to be our sole Controlling Shareholder. For further details, please refer to the sections headed "Our History and Development" starting from page 138 in this prospectus, "Relationship with our Controlling Shareholder" starting from page 246 in this prospectus and "Substantial Shareholder" starting from page 286 in this prospectus in this prospectus.

The main businesses of CRSC Group include producing components (such as transformer, coil and wire cable) and providing logistics services for our Group, and providing property leasing service. Our main businesses include the design and integration, equipment manufacturing and system implementation of rail transportation control systems. CRSC Corporation Group and our Company confirm that our Group does not have existing or potential business competition with CRSC Group. For further details, please refer to the section headed "Relationship with our Controlling Shareholder" starting from page 246 in this prospectus.

We have entered into a series of framework agreements with CRSC Corporation Group, including the Property Leasing Framework Agreement, Domain Name Usage Licensing Agreement, CRSC Corporation Group General Services Framework Agreement and CRSC Corporation Group Purchases and Sales Framework Agreement (see definitions in the section headed "Connected Transactions"). The transactions carried out or proposed to be carried out under these agreements will constitute our

continuing connected transactions as defined under Chapter 14A of the Listing Rules. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with relevant rules in the Listing Rules. For further details, please refer to the section headed "Connected Transactions" starting from page 253 in this prospectus.

We are in independent possession of the ownership or the right to use the assets relating to our operations including, among others, lands, buildings, trademarks, patents and software copyrights. We operate our main businesses independently, with independent rights to make and implement operational decisions. We have independent access to customers and suppliers and are not dependent on CRSC Corporation Group with respect to client servicing. We have sufficient capital, equipments and employees and our own organizational structure and effective internal control procedures for our independent business operation. We have a finance department independent from CRSC Corporation Group, which is responsible for the financing, accounting, reporting, and the credit and internal control work of our Group. We maintain bank accounts independently and do not share any bank account with CRSC Corporation Group. We make tax registration and pay tax independently with our own funds. As of the Latest Practicable Date, except for our chairman, who is holding a position as the general manager in CRSC Corporation Group, the Company and CRSC Corporation Group were managed by different management teams. There is no other Director, Supervisor or senior management who holds any position or bears any duty or responsibility in CRSC Corporation Group or its associates and none of the independent non-executive Directors is related to CRSC Corporation Group. We believe that, after the Listing, the Directors and senior management members will be able to fulfill their duties for the Company independently and the Company will be able to manage its own business independently from CRSC Corporation Group. For further details, please refer to the section headed "Relationship with Our Controlling Shareholder — Independent from CRSC Corporation Group" starting from page 251 in this prospectus.

RISK FACTORS

There are certain risks involved in the investment in our H Shares, which can be categorized into: (i) risks relating to our business operations, (ii) risks relating to our industry, (iii) risks relating to the PRC, and (iv) risks relating to the Global Offering. Additional risks and uncertainties not presently known to us, not expressed or implied below or that we deem immaterial could also harm our business, financial condition and results of operations.

We believe that the following are some of the major risks that we face:

- our businesses and financial performance may be affected by changes in the PRC government policies with respect to the rail transportation industry. Any decrease in the public expenditures on, or any change in the public procurement policies or industry standards relating to, rail transportation may affect our business;

- the rail transportation industry in the PRC is continuously evolving and has uncertainties, and any negative development in the PRC rail transportation industry may have an adverse effect on our business operations;

- loss of major customers or changes in their orders may have an adverse impact on our business;

- we may face potential product liability claims or suffer losses due to defects in our products or services;

- we are exposed to various risks in developing new businesses, including power supply and electrification and integrated information system solutions; and

- we may experience delays or defaults in payment of accounts receivables or in release of retention by our customers, which may adversely affect our cash flow and working capital, financial condition and results of operations.

7.23 INCIDENT

On July 23, 2011, D301 train collided with D3115 train on the Ningbo-Wenzhou High-Speed Railway. CRSC, as the manufacturer of the malfunctioned train control system equipment and one of the responsible parties, in response to the incident, took immediate rectification measures as well as implemented enhanced internal control mechanisms. See "Business—Quality and Safety—7.23 Incident", "Risk Factors—Risk Relating to Our Business Operations—We may face potential product liability claims or suffer losses due to defects in our products or services" for more details.

HISTORICAL NON-COMPLIANCE INCIDENTS

Our Directors confirm that there had been no material non-compliance incidents during the Track Record Period and up to the Latest Practicable Date. As advised by our PRC legal advisor, during the Track Record Period and up to the Latest Practicable Date, we had been in compliance with applicable PRC laws, rules and regulations in all material aspects in relation to our operations.

SALES AND OPERATIONS IN COUNTRIES SUBJECT TO SANCTIONS

The United States ("**U.S.**"), and to a lesser extent the European Union ("**E.U.**"), Australia and the United Nations Security Council ("**U.N.**"), collectively, have broad economic sanctions targeting certain countries or territories (collectively, the "**Sanctioned Countries**"), including currently Cuba, Crimea, Sudan, Iran, Syria and North Korea. In addition, the U.S. and other jurisdictions have certain sanctions that also target individuals or entities regardless of whether they are located in Sanctioned Countries. For example, the U.S. and other jurisdictions, including the E.U., impose limited sanctions targeting certain entities, individuals and sectors of the economy in Russia or parties who are

determined by sanctions authorities to be involved in undermining or threatening the territorial integrity, sovereignty and independence of Ukraine. Sanctions also target certain entities and individuals in Iraq or associated with the former Iraqi government. For details on the relevant sanctions laws, see "Regulatory Environment — Descriptions of Sanctions Laws" starting from page 129 in this prospectus. During the Track Record Period, we sold rail transit communication and signal products and provided related services for certain projects in Iran, which is a Sanctioned Country, and also in Iraq. We also entered into a marketing and promotion cooperation agreement with a Russian counterparty in January 2013. As of the Latest Practicable Date, we have generated no revenue under this agreement and understand that this agreement is not related to the Crimea region, which is a Sanctioned Country. Our revenue derived from countries subject to sanctions in aggregate accounted for approximately 0.02%, 1.22%, 1.09% and 0.51% of our revenue for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively. For details of our business operations in the countries subject to sanctions, see "Business — Sales and Operations in Countries Subject to Sanctions" starting from page 234 in this prospectus.

We undertake to the Hong Kong Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Hong Kong Stock Exchange, to finance or facilitate any activities or business, directly or indirectly, (i) relating to or with the target of any sanction, or relating to, with, or in any countries subject to sanctions administered by the U.S., the E.U., Hong Kong, Australia or the U.N. authorities, or (ii) relating to CRSC International, one of our subsidiaries, considering the amount of its annual revenue related to projects in Iran during the Track Record Period. In addition, we also undertake to the Hong Kong Stock Exchange that we will not undertake any sanctionable transactions that would expose the Hong Kong Stock Exchange, the Listing Committee of the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders and/or investors (collectively, the "**Relevant Persons**") or us to risk of being sanctioned. If we breach any of these undertakings to the Hong Kong Stock Exchange after the Listing, it is possible that the Hong Kong Stock Exchange may delist our H Shares. In order to ensure our compliance with these undertakings to the Hong Kong Stock Exchange, we will continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. For details of our internal control procedures, see "Business — Sales and Operations in Countries Subject to Sanctions — Our Undertakings and Internal Control Procedures" starting from page 242 in this prospectus. Please also see "Risk Factors — Risks Relating to Our Business Operations — We could be adversely affected as a result of our operations in or contracts involving certain countries that are subject to evolving economic sanctions of the U.S., U.N., E.U. and other relevant jurisdictions" starting from page 60 in this prospectus.

SELECTED HISTORICAL FINANCIAL DATA

The following table sets forth our consolidated statements of comprehensive income for the periods indicated:

	Year ended December 31,			Three Months ended March 31,	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	**10,550,912**	**13,064,585**	**17,328,643**	**3,346,571**	**4,757,060**
Cost of sales	(7,650,319)	(9,625,281)	(13,134,039)	(2,442,893)	(3,479,624)
Gross profit	**2,900,593**	**3,439,304**	**4,194,604**	**903,678**	**1,277,436**
Other income and gains	140,265	154,665	756,924	32,583	40,199
Selling and distribution expenses	(295,842)	(369,979)	(458,625)	(85,968)	(107,605)
Administrative expenses	(1,562,204)	(1,706,370)	(2,158,320)	(394,556)	(502,076)
Other expenses	(49,064)	(191,603)	(29,466)	(18,250)	(21,441)
Finance costs	(46,013)	(14,382)	(14,736)	(3,569)	(5,900)
Share of profits of joint ventures	120,097	134,432	143,207	39,511	9,944
Share of profits of associates	28,364	26,640	39,327	9,303	2,605
Profit before tax	**1,236,196**	**1,472,707**	**2,472,915**	**482,732**	**693,162**
Income tax expense	(148,861)	(233,793)	(433,000)	(89,687)	(116,380)
Profit for the period	**1,087,335**	**1,238,914**	**2,039,915**	**393,045**	**576,782**

The following table sets forth selected items from our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets	5,196,069	5,010,577	6,749,629	6,771,462
Current assets	11,888,126	16,634,674	21,826,919	22,702,399
Total assets	**17,084,195**	**21,645,251**	**28,576,548**	**29,473,861**
EQUITY AND LIABILITIES				
Current liabilities	8,299,366	10,637,841	14,993,866	18,597,042
Non-current liabilities	1,142,818	1,008,526	1,107,383	1,068,892
Total equity	7,642,011	9,998,884	12,475,299	9,807,927
Total equity and liabilities	**17,084,195**	**21,645,251**	**28,576,548**	**29,473,861**

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Three Months ended March 31,	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Net cash from/(used in) operating activities	690,599	1,585,360	1,190,816	(114,201)	(198,495)
Net cash (used in)/from investing activities	(909,355)	(1,354,468)	1,503,933	86,067	(112,291)
Net cash (used in)/from financing activities	(280,594)	688,743	52,124	(20,806)	(106,820)
Net (decrease)/increase in cash and cash equivalents	(499,350)	919,635	2,746,873	(48,940)	(417,606)
Cash and cash equivalents at the beginning of the period	2,751,121	2,252,322	3,171,451	3,171,451	5,917,548
Effect of foreign exchange rate changes on cash and cash equivalents	551	(506)	(776)	378	(249)
Cash and cash equivalents at the end of the period	**2,252,322**	**3,171,451**	**5,917,548**	**3,122,889**	**5,499,693**

The following table sets forth certain of our financial ratios as of the dates and for the periods indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
Current ratio[(1)]	143.2%	156.4%	145.6%	122.1%
Quick ratio[(2)]	118.8%	137.1%	126.5%	107.6%
Gearing ratio[(3)]	9.0%	3.5%	2.5%	3.0%

	Year ended December 31,		
	2012	2013	2014
Return on total assets[(4)]	6.5%	6.4%	8.1%
Return on equity[(5)]	15.3%	14.0%	18.2%

Notes:

(1) Current ratio is calculated based on our total current assets divided by our total current liabilities as of the respective dates and multiplied by 100%.

(2) Quick ratio is calculated by total current assets less inventories divided by total current liabilities as of the respective dates and multiplied by 100%.

(3) Gearing ratio is calculated by total debt divided by total equity as of the respective dates and multiplied by 100%. Total debt is defined as the sum of long-term and short-term interest-bearing debts.

(4) Return on total assets ratio is calculated based on our annual profit divided by average balance of our total assets for the beginning and the end of the period and multiplied by 100%.

(5) Return on equity ratio is calculated by our annual profit divided by the average balance of total equity for the beginning and end of the period and multiplied by 100%.

Our financial results are affected by a number of factors, including the general economic and market condition relating to the PRC rail transportation control system industry, and our products and services mix. In each year from 2012 to 2014, our total revenue and gross profit increased primarily due to the expansion of our business. In each year from 2012 to 2014, our gross profit margin declined slightly, primarily due to (i) an increase in components and raw materials costs and labor costs, and (ii) an increase in revenue from system implementation services and other businesses as a percentage of our total revenue, which resulted from an increased business volume from these two business lines with relatively lower profit margins.

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, we had other income and gains of RMB140.3 million, RMB154.7 million, RMB756.9 million and RMB40.2 million, respectively. Our other income and gains during the Track Record Period included interest income, which is recurring in nature, and other gains such as government grants, gains from disposal of property, plant and equipment, gains from disposal of prepaid land lease payments, gains from disposal of a subsidiary and an associate, and the gain from our acquisition of the additional 1% equity interest in CRSC CASCO, which are non-recurring in nature. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, we received government grants, recorded as other income and gains, of RMB94.0 million, RMB111.4 million, RMB124.9 million and RMB15.1 million, respectively. In addition, in the year ended December 31, 2014, we also had the following major one-off gains: (i) a gain of RMB393.9 million from the disposal of a real property, and (ii) a gain of RMB135.2 million from the remeasurement of the fair value of our previously held 50% equity interests in CRSC CASCO at the acquisition date. We cannot assure you that we will be eligible to continue to receive such government grants or that the amount of any such grants will not be reduced in the future or that our other gains which are non-recurring in nature will remain the same level as in the year ended December 31, 2014 or as during any other period during the Track Record Period.

LISTING EXPENSES

Listing of the H Shares will generate listing expenses including professional fees, underwriting commissions and other expenses. The estimated listing expenses (including underwriting commissions) are approximately RMB225.7 million, among which, approximately RMB206.0 million is directly attributable to the issue of H Shares and will be capitalized, and approximately RMB19.7 million has been or is expected to be reflected in our income statement. As of March 31, 2015, we have incurred listing expenses of approximately RMB1.6 million, which have already been reflected in our income statement, and approximately RMB224.1 million is expected to incur after March 31, 2015. Our Directors do not expect such expenses to materially impact our results of operations for 2015.

STATISTICS OF GLOBAL OFFERING

The numbers in the following table are based on the assumptions that (i) the Global Offering has been completed and 1,750,000,000 H Shares are issued and sold in the Global Offering, (ii) the Over-allotment Option is not exercised, and (iii) 8,750,000,000 Shares are issued and outstanding following the completion of the Global Offering.

	Based on an Offer Price of HK$6.30 per Share	**Based on an Offer Price of HK$8.00 per Share**
Market capitalization after completion of the Global Offering	HK$55,125.0 million	HK$70,000.0 million
Unaudited pro forma adjusted consolidated net tangible assets per Share	HK$2.39	HK$2.73

USE OF PROCEEDS FROM THE GLOBAL OFFERING

We estimate that we will receive net proceeds from the Global Offering of approximately HK$12,226.6 million (assuming an Offer Price of HK$7.15 per H share, being the mid-point of the Offer Price range stated in this prospectus) (equivalent to approximately RMB9,654.1 million), after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering and assuming no exercise of the Over-allotment Option.

Our Directors intend to apply the net proceeds from the Global Offering for the following purposes:

- approximately 30% will be used for long-term R&D, including R&D investment of railway and urban transit control systems and the establishment of relevant research centers, R&D of communication information technology, R&D of modern tram technologies;

- approximately 20% will be mainly used for fixed asset investments with the development and re-zoning of the cities where some of our production bases are, we plan to take the opportunity to relocate our current production bases and upgrade our equipment for better product quality assurance, we also plan to further expand our business into fields such as Smart Cities and electronic information, to complement our industry value chain, to fulfill our corporate development strategies and to meet the market demands. In addition, we have a few pipeline projects in rail transportation equipment and vehicle area, which are still in the preliminary stage at the moment;

- approximately 20% will be used for general domestic and overseas acquisitions that, among others, accommodate our business strategies, complement our technologies, strengthen our core value chain as well as widen our marketing channels;

- no more than 20% will be used for investment in rail transportation Public-Private-Partnership ("**PPP**") projects that are in compliance with the government policies; and

- no more than 10% will be used to supplement working capital.

DIVIDEND AND DIVIDEND POLICY

The Company declared dividends of RMB318.7 million and RMB250.7 million, respectively, for the years ended December 31, 2012 and 2013. According to the resolutions of the Shareholders of the Company passed on February 6, 2015, which was amended and supplemented by the resolutions of the Shareholders of the Company passed on May 21, 2015, the Company declared special dividends representing all of the undistributed distributable profit of the Group accrued up to June 30, 2015 to our existing Shareholders. The special dividend representing the undistributed distributable profit of the period up to December 31, 2014 is RMB3,227.7 million. We have paid such special dividend to the existing Shareholders of our Company with our available cash and cash equivalents on hand in June 2015. The actual amount of the special dividend representing the undistributed distributable profit of the period from January 1, 2015 to June 30, 2015 will be determined upon the completion of a special audit for the six months ended June 30, 2015 to be conducted by our independent auditor. We intend to pay such special dividend within six months after the Listing with our then available cash and cash equivalents on hand and will make an announcement regarding the actual amount of such special dividend before we pay it. Based on our management account for the five months ended May 31, 2015, we currently estimate the special dividend for the period from January 1, 2015 to June 30, 2015 to be approximately RMB750 million. See "Financial Information — Dividend and Dividend Policy" starting from page 357 in this prospectus for details of such special dividends.

We expect that the profit to be distributed in cash every year will be no less than 15% of the distributable profit (being the lower of the amounts determined in accordance with the accounting rules of the PRC and the IFRS) in the consolidated financial statements for that year. The declaration and payment of dividends may be limited by legal restrictions or financing arrangements that we may enter into in the future.

RECENT DEVELOPMENTS

Based on our unaudited management accounts, we continued to experience stable growth in our revenue and gross profit for the five months ended May 31, 2015 as compared to the five months ended May 31, 2014, primarily as a result of the continuous expansion of our business.

In anticipation of the potential working capital needs of our operations, we entered into loan agreements with certain commercial banks in China in June 2015 for short-term loans of an aggregate amount of RMB2,500 million. Under such loan agreements, we are required to notify the lender in writing or obtain the lender's prior written consent before we raise additional debt financings. See "Financial Information — Indebtedness" starting from page 349 in this prospectus for details of such additional debt financing.

ACQUISITIONS DURING AND AFTER TRACK RECORD PERIOD

On December 31, 2014, with a view to further expanding our urban transit business and benefiting from the market and technology resources of CRSC CASCO, through arm's length negotiation with the then existing shareholder of CRSC CASCO, we acquired an additional 1% equity interest in CRSC CASCO and, as a result, gained control of CRSC CASCO. As the original holding of the 50% equity interests and the subsequent acquisition of the additional 1% equity interest in CRSC CASCO is considered as business acquisition achieved in stages according to IFRS, we remeasured our previously held 50% equity interests in CRSC CASCO at its acquisition-date fair value and recognized a gain of RMB135.2 million resulted therefrom. Effective from December 31, 2014, CRSC CASCO became one of our consolidated subsidiaries, whereas before that time it was a joint venture. Accordingly, upon completion of the acquisition as of December 31, 2014, the operating results of CRSC CASCO have been consolidated into our consolidated statements of comprehensive income and were no longer reflected as share of profits of joint venture under our consolidated statements of comprehensive income. Therefore, our future operating results for and after the year ending December 31, 2015 might not be comparable to our historical results for the years ended December 31, 2012, 2013 and 2014. For the three months ended March 31, 2015, our revenue that was contributed by CRSC CASCO amounted to RMB481.0 million, representing 10.1% of our total revenue for the same period. CRSC CASCO primarily engages in the system design, integration and contracting of, and the manufacturing and sale of communication signal equipment and related ancillary equipment in urban transit sector in China. The acquisition of CRSC CASCO strengthened our competitiveness in urban transit control system sector. For details relating to our acquisition of CRSC CASCO and the business and financial highlights of CRSC CASCO, please see the section headed "Financial Information — Acquisitions During and After Track Record Period — Acquisition of CRSC CASCO" starting from page 360 in this prospectus.

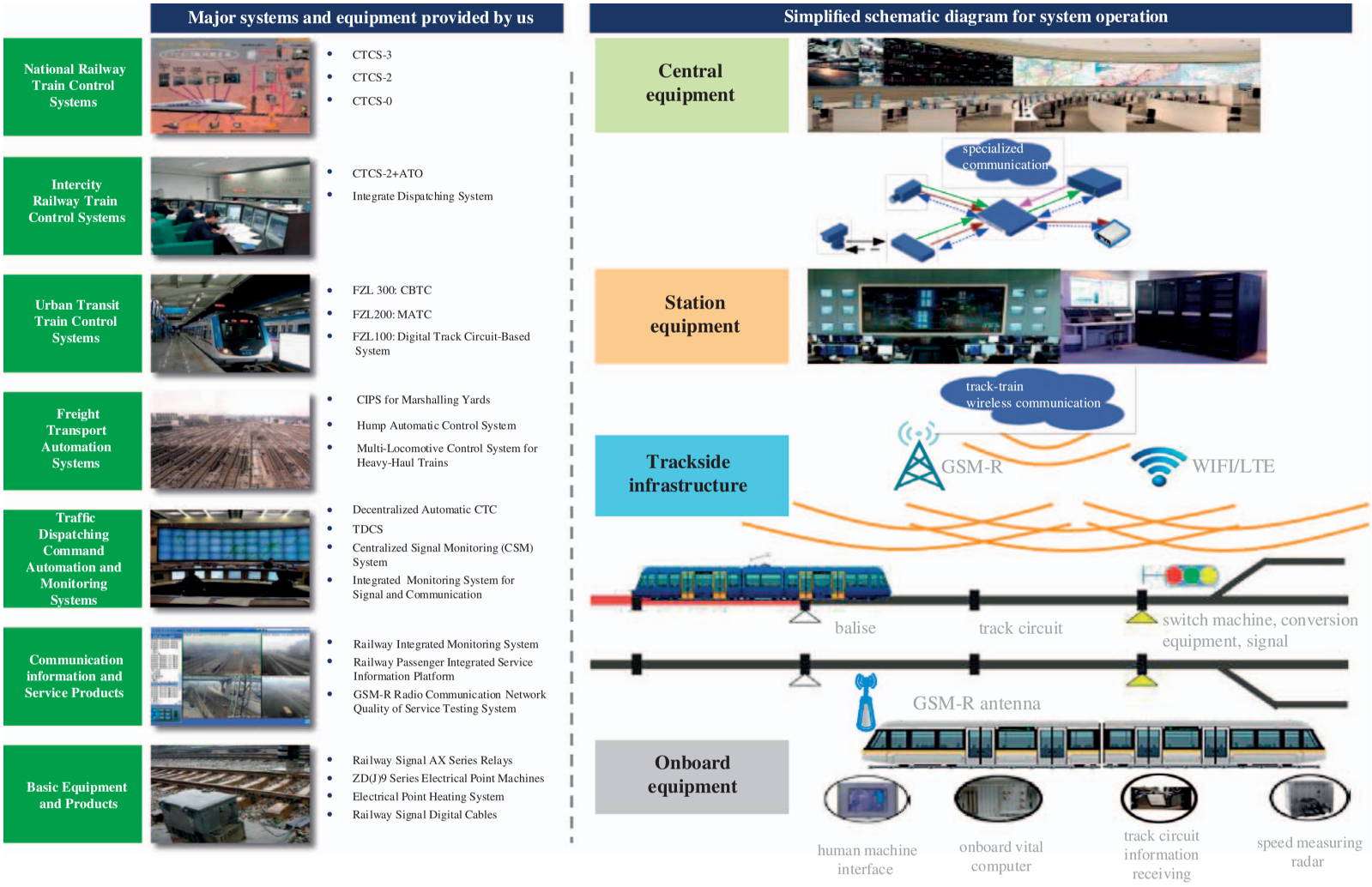
We have entered into various agreements with respect to the proposed acquisition of 65% of the enlarged share capital in Zhengzhou Zhongyuan by way of capital increase. As of the Latest Practicable Date, this transaction has not been completed. For details relating to our proposed acquisition of Zhengzhou Zhongyuan and the business and financial highlights of Zhengzhou Zhongyuan, please see the sections headed "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" starting from page 87 in this prospectus, "Our History and Development — Proposed Acquisition" starting from page 149 in this prospectus and "Financial Information — Acquisitions During and After Track Record Period — Proposed Acquisition After Track Record Period" starting from page 361 in this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that there is no event which could materially affect the information shown in our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus since March 31, 2015 (being the latest date of our audited consolidated financial statements), and as of the Latest Practicable Date and the date of this prospectus, there has been no material adverse change in our financial or trading position, business, the industry where we operate and market regulatory environment.

RAIL TRANSPORTATION CONTROL SYSTEM DIAGRAM

We provide comprehensive and efficient integrated control systems for rail transportation. Each control system comprises two major parts, namely ground system and onboard system. These control systems are seamlessly integrated to enable the rapid and smooth flow of information and to ensure the safety and efficiency of rail transportation. The principal components of our rail transportation control system are demonstrated in the chart below:



In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"12th Five-Year Plan"	the Twelfth Five-Year Plan for National Economic and Social Development (2011-2015) approved by the fourth meeting of the State Council at the Eleventh National People's Congress in 2011
"Accountants' Report"	the report on the financial information regarding the Company and its subsidiaries for each of the three years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015 audited by independent auditors and set forth in "Appendix I—Accountants' Report" in this prospectus
"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 our 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 January 21, 2015, holds 49% of the equity interests in CRSC CASCO, and is a connected person of our Company
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company, conditionally adopted on February 6, 2015 to take effect on the Listing Date, as amended or supplemented from time to time
"BNSC"	Beijing Nera Stentofon Communication Equipment Co., Ltd. (北京挪拉斯坦特芬通信設備有限公司), a sino-foreign joint venture with limited liability established in the PRC on November 26, 1993 and an indirect non-wholly owned subsidiary of the Company. It is owned as to 70.87% by CRSCIC, 13.50% by Zenitel Norway AS (挪威贊尼特公司) and 15.63% by Eltek AS (挪威易達有限公司) respectively
"Board" or "Board of Directors"	the board of Directors

"BRSC"	Beijing Railway Signal Co., Ltd. (北京鐵路信號有限公司) (formerly known as Beijing Railway Signal Factory (北京鐵路信號工廠)), a limited liability company established in the PRC on April 26, 1991, and an indirect wholly-owned subsidiary of the Company. CRSC Beijing Industry holds 100% of its equity interests
"Business Day"	any day (excluding a Saturday, or a Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"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 January 22, 1998, one of our Shareholders and one of the promoters of our Company
"China" or the "PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"CICC Jiacheng"	CICC 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 October 26, 2007, one of our Shareholders and one of the promoters of our Company, and wholly owned by the China International Capital Corporation Limited (中國國際金融有限公司)
"CNCA"	Certification and Accreditation Administration of the People's Republic of China (中國國家認證許可監督管理委員會)

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provision) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	China Railway Signal & Communication Corporation Limited (中國鐵路通信信號股份有限公司), a joint stock limited liability company established in the PRC on December 29, 2010
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules, and in the context of this prospectus, refers to the controlling shareholder of our Company, being CRSC Corporation Group
"CRC"	China Railway Corporation (中國鐵路總公司), a wholly state-owned enterprise established in the PRC on March 14, 2013, which has undertaken the railway operation assets and business of the former MOR and is the national railway operator of the PRC
"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 November 5, 2007
"CRCEF"	Chengdu Railway Communication Equipment Co., Ltd. (成都鐵路通信設備有限責任公司) (formerly known as Chengdu Railway Communication Equipment Factory (成都鐵路通信設備工廠)), a company with limited liability established in the PRC on July 17, 1996 and an indirect wholly-owned subsidiary of the Company. CRSC Beijing Industry holds 100% of its equity interests
"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 September 12, 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 December 1, 2010, one of our Shareholders and one of the promoters of our Company

"CRSC", "Group", "we" or "us"	our Company and its subsidiaries (or our 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 our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"CRSC Assets"	CRSC Asset Management Company Limited (通號資產管理有限公司), a company with limited liability established in the PRC on June 17, 2013, and a direct wholly-owned subsidiary of the Company
"CRSC BECC"	Beijing Urban Transit Technology Co., Ltd. (北京通號國鐵城市軌道技術有限公司), a limited liability company established in the PRC on May 6, 2010, and a direct wholly-owned subsidiary of the Company
"CRSC Beijing Consultant"	Beijing Xiandai Signal & Communication Engineering Consultant Ltd. (北京現代通號工程諮詢有限公司), a company with limited liability established in the PRC on July 19, 1988 and an indirect wholly-owned subsidiary of the Company. CRSCD holds 100% of its equity interests
"CRSC Beijing Industry"	CRSC (Beijing) Railway Industry Group Co., Ltd. (通號(北京)軌道工業集團有限公司), a limited liability company established in the PRC on December 29, 2014 and a direct wholly-owned subsidiary of the Company
"CRSC Cables"	CRSC Cables Company Ltd. (通號電纜集團有限公司), a limited liability company established in the PRC on March 13, 2014 and a direct wholly-owned subsidiary of the Company
"CRSC CASCO"	Casco Signal Ltd. (卡斯柯信號有限公司), a limited liability company established in the PRC on March 5, 1986 and a direct non-wholly owned subsidiary of the Company. It is owned as to 51% by our Company and as to 49% by ALSTOM IC respectively
"CRSC Changsha Railway"	CRSC (Changsha) Railway Traffic Control Technology Company Limited (通號(長沙)軌道交通控制技術有限公司), a limited liability company established in the PRC on March 17, 2014 and a direct wholly-owned subsidiary of the Company

"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 May 8, 1981 and registered in the PRC on January 7, 1984, our sole Controlling Shareholder and one of the promoters of the Company
"CRSC Group"	CRSC Corporation Group and its subsidiaries, excluding our Group
"CRSC Guizhou Construction"	CRSC Guizhou Construction Company Ltd. (中國鐵路通信信號貴州建設有限公司) (formerly known as Guizhou Construction Group Ninth Construction Engineering Company Limited (貴州建工集團第九建築工程有限責任公司)), a limited liability company established in the PRC on June 18, 1985 and a direct non-wholly owned subsidiary of the Company. It is owned as to 90.0% by our Company and as to 10.0% by Guizhou Construction Engineering Group (貴州建工集團有限公司) respectively
"CRSC Guizhou Property"	CRSC Guizhou Property Ltd. (通號貴州置業有限公司), a limited liability company established in the PRC on April 23, 2014 and an indirect non-wholly owned subsidiary of the Company. CRSC Guizhou Construction holds 100% of its equity interests
"CRSC Guo Tie Hua Chen"	Beijing Guo Tie Hua Chen Communication Technology Co., Ltd. (北京國鐵華晨通信科技有限公司), a limited liability company established in the PRC on May 17, 2013 and an indirect wholly-owned subsidiary of the Company. CRSCIC holds 100% of its equity interests
"CRSC Hebei Investment"	CRSC Hebei Investment Co., Ltd (通號河北投資有限公司), a limited liability company established in the PRC on March 28, 2013 and an indirect wholly-owned subsidiary of the Company. CRSC Innovation Investment holds 100% of its equity interests
"CRSC Hunan Luqiao"	CRSC Hunan Luqiao Engineering Co., Ltd (湖南通號路橋工程有限公司), a limited liability company established in the PRC on April 30, 2014 and an indirect non-wholly owned subsidiary of the Company. CRSC Guizhou Construction holds 100% of its equity interests

"CRSC Information Industry"	CRSC Information Industry Co., Ltd. (通號信息產業有限公司), a limited liability company established in the PRC on May 17, 2013 and an indirect wholly-owned subsidiary of the Company. CRSCIC holds 100% of its equity interests
"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 September 21, 2012 and a direct wholly-owned subsidiary of the Company
"CRSC Inspection"	CRSC Inspection & Testing Co., Ltd. (通號檢驗檢測有限公司), a limited liability company established in the PRC on October 29, 2014 and a direct wholly-owned subsidiary of the Company
"CRSC International"	CRSC International Holdings Company Limited (通號國際控股有限公司), a limited liability company established in the PRC on December 23, 2011 and a direct wholly-owned subsidiary of the Company
"CRSC Investment Tongren"	CRSC Innovation (Tongren) Development Ltd. (通號創新(銅仁)開發有限公司), a limited liability company established in the PRC on April 17, 2014 and an indirect wholly-owned subsidiary of the Company. CRSC Innovation Investment holds 100% of its equity interests
"CRSC Investment Zhejiang"	CRSC Innovation Zhejiang Construction Investment Ltd. (通號創新浙江建設投資有限公司) (formerly known as Zhejiang Mingrui Construction Co., Ltd. (浙江銘瑞建設有限公司)), a limited liability company established in the PRC on February 3, 2004 and an indirect wholly-owned subsidiary of the Company. CRSC Innovation Investment holds 100% of its equity interests
"CRSC Jiaozuo Cable"	Jiaozuo Railway Cable Co., Ltd. (焦作鐵路電纜有限責任公司) (formerly known as Jiaozuo Railway Cable Factory (焦作鐵路電纜工廠)), a limited liability company established in the PRC on December 19, 1980 and an indirect wholly-owned subsidiary of the Company

"CRSC Kunming Project Company"	Kunming Zhongtie Innovation Construction Project Management Ltd. (昆明中鐵創新建設項目管理有限公司), a limited liability company established in the PRC on June 17, 2013 and an indirect non-wholly owned subsidiary of the Company. It is owned as to 95% by CRSC Yunnan Investment and as to 5% by No. 1 Engineering Co., Ltd of CRHBG (中鐵十一局集團第一工程有限公司) respectively
"CRSC Shanghai"	Shanghai Railway Communication Co., Ltd. (上海鐵路通信有限公司) (formerly known as Shanghai Railway signal factory (上海鐵路信號工廠)), a limited liability company established in the PRC on July 2, 1989 and an indirect wholly-owned subsidiary of the Company. CRSC Beijing Industry holds 100% of its equity interests
"CRSC Shenyang"	Shenyang Railway Signal Co., Ltd. (瀋陽鐵路信號有限責任公司) (formerly known as Shenyang Railway Signal Factory (瀋陽鐵路信號工廠)), a limited liability company established in the PRC on September 9, 1991 and an indirect wholly-owned subsidiary of the Company. CRSC Xi'an Industry holds 100% of its equity interests
"CRSC Signal & Communication"	Beijing Zhongtietong Technology Development Center of Signal & Communication Co., Ltd. (北京中鐵通電務技術開發有限公司) (formerly known as Beijing Zhongtietong Technology Development Center of Signal & Communication (北京中鐵通電務技術開發中心)), a limited liability company established in the PRC on July 9, 1993 and an indirect wholly-owned subsidiary of the Company, CRSCD holds 100% of its equity interests
"CRSC Tianshui Cable"	Tianshui Railway Cable Co., Ltd. (天水鐵路電纜有限責任公司) (formerly known as Tianshui Railway Cables Factory (天水鐵路電纜工廠)), a limited liability company established in the PRC on December 11, 1989 and an indirect wholly-owned subsidiary of the Company. CRSC Cables holds 100% of its equity interests
"CRSC Vehicle"	Tong Hao Railway Vehicles Co., Ltd. (通號軌道車輛有限公司), a limited liability company established in the PRC on January 9, 2015 and a direct wholly-owned subsidiary of the Company

"CRSC Wanquan"	CRSC Wanquan Signal Equipment Company Ltd. (通號萬全信號設備有限公司) (formerly known as Zhejiang Wan Quan Signal & Equipment Co., Ltd. (浙江萬全信號設備有限公司)), a limited liability company established in the PRC on March 18, 1996 and a direct non-wholly owned subsidiary of the Company. It is owned as to 70% by our Company, as to 18% by Zhao Zhengping and as to 12% by Wu Jiang respectively
"CRSC WECC"	CRSC Wuhu Modern Engineering Consulting Ltd. (蕪湖現代通號工程諮詢有限公司), a limited liability company established in the PRC on August 1, 2013 and an indirect wholly-owned subsidiary of the Company. CRSC Beijing Consultant holds 100% of its equity interests
"CRSC Xi'an"	Xi'an Railway Signal Co., Ltd. (西安鐵路信號有限責任公司) (formerly known as Xi'an Railway Signal Factory (西安鐵路信號工廠)), a limited liability company established in the PRC on December 7, 1991 and an indirect wholly-owned subsidiary of the Company. CRSC Xi'an Industry holds 100% of its equity interests
"CRSC Xi'an Industry"	CRSC (Xi'an) Railway Transportation Industry Group Co., Ltd. (通號(西安)軌道交通工業集團有限公司), a limited liability company established in the PRC on December 30, 2014 and a direct wholly-owned subsidiary of the Company
"CRSC Xin Hai Xin Tong"	Shanghai Xin Hai Xin Tong Information Technology Ltd. (上海新海信通信息技術有限公司), a limited liability company established in the PRC on June 21, 2011 and an indirect wholly-owned subsidiary of the Company. CRSCS holds 100% of its equity interests
"CRSC Yunnan Investment"	CRSC Yunnan Investment Ltd. (通號雲南投資有限公司), a limited liability company established in the PRC on April 26, 2013 and an indirect wholly-owned subsidiary of the Company. CRSC Innovation Investment holds 100% of its equity interests
"CRSC Zhengzhou Technology"	CRSC (Zhengzhou) Railway Transportation Technology Ltd. (通號(鄭州)軌道交通科技有限公司), a limited liability company established in the PRC on April 21, 2014 and an indirect wholly-owned subsidiary of the Company. CRSC Cables holds 100% of its equity interests

"CRSC Zhengzhou Zhongan"	CRSC (Zhengzhou) Zhongan Engineering Co., Ltd. (中國鐵路通信信號(鄭州)中安工程有限公司) (formerly known as Zhengzhou Railway Zhongan Engineering Co., Ltd. (鄭州鐵路中安工程實業有限公司)), a limited liability company established in the PRC on July 7, 1997 and a direct non-wholly owned subsidiary of the Company. It is owned as to 60% by our Company and as to 40% by Wei Zhongan respectively
"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
"CRSCE"	CRSC Engineering Group Company Ltd. (通號工程局集團有限公司), a limited liability company established in the PRC on September 10, 2012 and a direct wholly-owned subsidiary of the Company
"CRSCE Beijing Experiment"	CRSCE Beijing Research & Design Experiment Center Ltd. (通號工程局集團北京研究設計實驗中心有限公司), a limited liability company established in the PRC on August 9, 2013 and an indirect wholly-owned subsidiary of the Company. CRSCE holds 100% of its equity interests
"CRSCE Beijing Integration"	CRSCE Beijing Communication & Information System Integration Ltd. (通號工程局集團北京通信信息系統集成有限公司), a limited liability company established in the PRC on November 21, 2012 and an indirect wholly-owned subsidiary of the Company. CRSCE holds 100% of its equity interests
"CRSCE Hunan Construction"	CRSCE Hunan Construction Engineering Ltd. (通號工程局集團湖南建設工程有限公司) (formerly known as Hunan Xingsha Construction Co., Ltd. (湖南星沙建築有限公司)), a limited liability company established in the PRC on August 21, 2000 and an indirect wholly-owned subsidiary of the Company. CRSCE holds 100% of its equity interests

"CRSCE Tianjin Electromechanical"	CRSCE Electromechanical Engineering Ltd. (通號工程局集團天津機電工程有限公司), a limited liability company established in the PRC on November 21, 2012 and an indirect wholly-owned subsidiary of the Company. CRSCE holds 100% of its equity interests
"CRSCE Tianjin Information"	CRSCE Tianjin Transportation Information Technology Ltd. (通號工程局集團天津交通信息技術有限公司), a limited liability company established in the PRC on November 21, 2012 and an indirect wholly-owned subsidiary of the Company. CRSCE holds 100% of its equity interests
"CRSCE Tianjin Tongze"	CRSCE Tianjin Tongze Railway Engineering Equipment Ltd. (通號工程局集團天津通澤鐵路工程設備有限公司) (formerly known as Tianjin Tongze Railway Electricity Equipment Factory (天津市通澤鐵路電務器材廠)), a limited liability company established in the PRC on August 30, 1995 and an indirect wholly-owned subsidiary of the Company. CRSCE holds 100% of its equity interests
"CRSCIC"	CRSC Communication & Information Group Company Ltd. (通號通信信息集團有限公司), a limited liability company established in the PRC on October 5, 1992 and a direct wholly-owned subsidiary of the Company
"CRSCIC Shanghai Technologies"	CRSC Shanghai Railway Transportation Engineering Technology Research Center Ltd. (上海通號軌道交通工程技術研究中心有限公司), a limited liability company established in the PRC on September 3, 2009 and an indirect wholly-owned subsidiary of the Company. CRSCIC holds 100% of its equity interests
"CRSCIC Teleways"	CRSC Shanghai Xin Gan Tong Communication Equipment Ltd. (上海新幹通通信設備有限公司), a limited liability company established in the PRC on August 19, 1999 and an indirect wholly-owned subsidiary of the Company. CRSCIC holds 100% of its equity interests
"CRSCM"	CRSC Material Group Company Limited (通號物資集團有限公司), a limited liability company established in the PRC on May 22, 2013 and a direct wholly-owned subsidiary of the Company

"CRSCM Bid"	CRSC (Beijing) Bid Ltd. (通號(北京)招標有限公司), a limited liability company established in the PRC on July 8, 2013 and an indirect wholly-owned subsidiary of the Company. CRSCM holds 100% of its equity interest
"CRSCM Henan"	CRSC (Henan) Gang Qu Railway Logistics Ltd. (通號(河南)港區鐵路物流有限公司), a limited liability company established in the PRC on June 24, 2014 and an indirect non-wholly owned subsidiary of the Company. It is owned as to 51% by CRSCM, as to 40% by Zhengzhou Railway Coal Trading Ltd. (鄭州鐵路煤炭運銷有限公司) and as to 9% by Zhengzhou Zhengmao Technology Ltd. (鄭州正茂科技有限公司) respectively
"CRSCM Logistics"	CRSC (Beijing) Logistics Ltd. (通號(北京)物流有限公司), a limited liability company established in the PRC on December 31, 2013 and an indirect wholly-owned subsidiary of the Company. CRSCM holds 100% of its equity interests
"CRSCM Shangmao"	CRSC (Beijing) Trading Ltd. (通號(北京)商貿有限公司), a limited liability company established in the PRC on December 31, 2013 and an indirect wholly-owned subsidiary of the Company. CRSCM holds 100% of its equity interests
"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
"CRSCS Chengdu"	CRSCS Chengdu Information Engineering Ltd. (成都通號信息工程有限公司), a limited liability company established in the PRC on December 9, 2013 and an indirect wholly-owned subsidiary of the Company. CRSCS holds 100% of its equity interests

"CRSCS International"	Shanghai Zhong Tie Communication Signal International Engineering Ltd. (上海中鐵通信信號國際工程有限公司), a limited liability company established in the PRC on July 1, 2009 and an indirect non-wholly owned subsidiary of the Company. It is owned as to 57% by CRSCS, as to 25% by Shanghai Wang Shi Co., Ltd., (上海王獅實業有限公司) as to 10% by Shanghai Suwei Communication Technology Co., Ltd. (上海蘇威通信科技有限公司) and as to 8% by Shanghai Nanmeng Co., Ltd. (上海南盟實業公司) respectively
"CRSCS Testing"	Shanghai Zhong Tie Communication Signal Testing Ltd. (上海中鐵通信信號測試有限公司), a limited liability company established in the PRC on July 28, 2003 and an indirect non-wholly owned subsidiary of the Company. It is owned as to 65% by CRSCS, as to 17.5% by Shanghai Suwei Communication Technology Co., Ltd. (上海蘇威通信科技有限公司) and as to 17.5% by Jiangxi Huide Xinda Co., Ltd. (江西省匯德信達實業有限公司) respectively
"CRTCC"	China Railway Test & Certification Center
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)" or "our Director(s)"	the director(s) of our Company
"Domestic Shares"	ordinary shares issued by our Company, with a nominal value of RMB1.00, which are subscribed for or credited as paid in Renminbi
"EIT"	enterprise income tax of the PRC
"EIT Law"	Enterprise Income Tax Law of the PRC (中華人民共和國業所得税法), as adopted at the Tenth National People's Congress on March 16, 2007 and effective from January 1, 2008
"E.U."	the European Union
"EUR"	Euro, the currency used by the E.U.
"Financial Advisor"	Macquarie Capital Securities Limited
"Global Offering"	the Hong Kong Public Offering and the International Offering
"GREEN application form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited

"H Share(s)"	ordinary shares in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"Henan Zhongyuan"	Henan Zhongyuan Railway Investment Management Group Ltd. (河南中原鐵道投資管理集團有限公司), a limited liability company established in the PRC on July 10, 2002, as of the Latest Practicable Date holds 100% of the equity interests in Zhengzhou Zhongyuan
"HK$" or "HK dollars" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Public Offer Shares"	87,500,000 new H Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offering of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong for cash (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) at the Offer Price (plus brokerage, SFC transaction levies, and Hong Kong Stock Exchange trading fees), subject to and in accordance with the terms and conditions described in this prospectus and the Application Forms as further described in the section headed "Structure of the Global Offering—Hong Kong Public Offering" in this prospectus
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the paragraph headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated July 27, 2015 relating to the Hong Kong Public Offering and entered into by the Joint Global Coordinators, the Hong Kong Underwriters and our Company, among others, as further described in the paragraph headed "Underwriting — Underwriting Arrangements and Expenses—Hong Kong Public Offering—Hong Kong Underwriting Agreement" in this prospectus
"IBM"	International Business Machines Corporation, a company incorporated in the United States on June 15, 1911
"IFRS"	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board (IASB)
"Independent Third Party(ies)"	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules
"International Offer Shares"	1,662,500,000 new H Shares being initially offered under the International Offering together, where relevant, with any additional H Shares to be issued pursuant to the exercise of the Over-allotment Option, subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus
"International Offering"	the conditional placing of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in reliance on Regulation S, and in the United States only to QIBs in reliance on Rule 144A or another available exemption from registration requirement of the Securities Act, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering that are expected to enter into the International Underwriting Agreement to underwrite the International Offering

"International Underwriting Agreement"	the underwriting agreement relating to the International Offering to be entered into on or about the Price Determination Date among our Company, the Joint Global Coordinators and the International Underwriters, as further described in the paragraph headed "Underwriting — International Offering" in this prospectus
"Joint Bookrunners"	Citigroup Global Markets Asia Limited *(in relation to Hong Kong Public Offering)*, Citigroup Global Markets Limited *(in relation to International Offering)*, Morgan Stanley Asia Limited *(in relation to Hong Kong Public Offering)*, Morgan Stanley & Co. International plc *(in relation to International Offering)*, UBS AG Hong Kong Branch, Macquarie Capital Securities Limited, BOCI Asia Limited, Goldman Sachs (Asia) L.L.C., China Merchants Securities (HK) Co., Limited, CMB International Capital Limited and Haitong International Securities Company Limited
"Joint Global Coordinators"	Citigroup Global Markets Asia Limited, Morgan Stanley Asia Limited, UBS AG Hong Kong Branch, Macquarie Capital Securities Limited, BOCI Asia Limited, Goldman Sachs (Asia) L.L.C. and China Merchants Securities (HK) Co., Limited
"Joint Lead Managers"	Citigroup Global Markets Asia Limited *(in relation to Hong Kong Public Offering)*, Citigroup Global Markets Limited *(in relation to International Offering)*, Morgan Stanley Asia Limited *(in relation to Hong Kong Public Offering)*, Morgan Stanley & Co. International plc *(in relation to International Offering)*, UBS AG Hong Kong Branch, Macquarie Capital Securities Limited, BOCI Asia Limited, Goldman Sachs (Asia) L.L.C., China Merchants Securities (HK) Co., Limited, CMB International Capital Limited and Haitong International Securities Company Limited
"Joint Sponsors"	Citigroup Global Markets Asia Limited, Morgan Stanley Asia Limited and UBS Securities Hong Kong Limited
"Latest Practicable Date"	July 20, 2015, being the latest practicable date for the purposes of ascertaining certain information contained in this prospectus
"Listing"	the listing of our H Shares on the Main Board of the Hong Kong Stock Exchange

"Listing Committee"	the listing sub-committee of the board of directors of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or around August 7, 2015, on which our H Shares are listed on the Hong Kong Stock Exchange and from which dealings in our H Shares are permitted to take place on 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
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies Seeking an Overseas Listing (到境外上市公司章程必備條款), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), promulgated on August 27, 1994 by the PRC State Council Securities Policy Committee and the PRC State Commission for Restructuring the Economic System, as amended, supplemented or otherwise modified from time to time
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MLR"	Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOR"	the former Ministry of Railway of the PRC (中華人民共和國鐵道部)
"MOST"	Ministry of Science and Technology of People's Republic of China (中華人民共和國科學技術部)
"MOT"	Ministry of Transport of the PRC (中華人民共和國交通運輸部)
"NAO"	National Audit Office of the PRC (中華人民共和國審計署)

"National Railway Dispatch and Command Center"	the entity affiliated with CRC that is in charge of dispatching and commanding the operation of the PRC national railway network
"NBSC"	National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"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)
"Non-PRC Resident Enterprise"	as defined under the EIT Law, means companies established pursuant to a non-PRC law with their de facto management conducted outside the PRC, but which have established organizations or premises in the PRC, or which have generated income within the PRC without having established organizations or premises in the PRC
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NRA"	National Railway Administration of the PRC (中華人民共和國國家鐵路局)
"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)
"OFAC"	The U.S. Department of Treasury's Office of Foreign Assets Control
"Offer Price"	the final Hong Kong dollar price per Offer Share (exclusive of brokerage, SFC transaction levies, and Hong Kong Stock Exchange trading fees) of not more than HK$8.00 and expected to be not less than HK$6.30, such price to be agreed upon by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date
"Offer Shares"	the Hong Kong Public Offer Shares and the International Offer Shares
"Oracle"	Oracle Corporation, an international database and software company incorporated in the United Stated and headquartered in California in 1977

"Over-allotment Option"	the option granted by us to the Joint Global Coordinators, pursuant to which we may be required to allot and issue up to 262,500,000 additional H Shares (representing up to 15% of the H Shares initially being offered under the Global Offering) at the Offer Price to, among other things, cover over-allocations in the International Offering, details of which are described in the section headed "Structure of the Global Offering" of this prospectus
"PPP" or "Public-Private Partnership"	a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law" or "Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress of the PRC on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on December 28, 2013 to take effect on March 1, 2014
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC government" or "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
"Price Determination Date"	the date, expected to be on or around July 31, 2015, but no later than August 3, 2015, on which the Offer Price is fixed for the purpose of the Global Offering
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"QIBs" or "Qualified Institutional Buyers"	qualified institutional buyers as defined in Rule 144A
"R&D"	research and development
"Regulation S"	Regulation S under the U.S. Securities Act
"Reporting Accountants"	Ernst & Young (安永會計師事務所)

"RMB" or "Renminbi"	Renminbi Yuan, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the United States Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	State Administration for Industry and Commence of the PRC (中華人民共和國國家工商行政管理總局)
"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)
"SAWS"	State Administration of Work Safety (國家安監總局)
"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)
"Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"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 May 21, 1988, one of our Shareholders and one of the promoters of our Company
"Stabilizing Manager"	Goldman Sachs (Asia) L.L.C.
"State Administration of Taxation" or "SAT"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Supervisors"	the supervisors of our Company
"Supervisory Committee"	the Supervisory Committee of the Company
"Track Record Period"	the period comprising the three years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015

"TRSC"	Tianjin Railway Signal Co., Ltd. (天津鐵路信號有限責任公司) (formerly known as Tianjin Railway Signal Factory (天津鐵路信號工廠)), a limited liability company established in the PRC on September 11, 1981 and an indirect wholly-owned subsidiary of the Company. CRSC Xi'an Industry holds 100% of its equity interests
"U.N."	United Nations
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America
"UNSC"	the United Nations Security Council
"U.S.$" or "US dollars"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"White Form eIPO"	applying for Hong Kong Public Offer Shares to be issued in your own name by submitting applications online through the designated website for the White Form eIPO at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"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 October 26, 2001

In this prospectus, the terms "associate", "connected person", "connected transaction", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.

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

"ATC"	the automatic train control system, a signal system for urban transit, to implement ATO, automatic train operation system and automatic train supervision system technologies
"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
"ATP Onboard"	the automatic train protection equipment that automatically brakes train when it exceeds speed limits
"automatic blocking system"	a system that controls the number of, and distance between, trains in a particular section to prevent train collision
"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
"BeiDou Satellite navigation technologies"	navigation technologies based on the BeiDou Satellite. BeiDou Satellite navigation system is a navigation system developed in the PRC
"Big Data"	the massive, fast-growing and diversified technology to process huge amount of information, improving information assets' capabilities for decision-making, observation and process optimization
"broadband"	a wide bandwidth data transmission with an ability to simultaneously transport multiple signals and traffic types
"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
"CIPS"	the computer integrated process system, to centralize the monitoring and control of marshalling yards

"CIR"	the cab integrated radio-communication equipment, to select proper channels for train-ground communication based on business requirements and network conditions, and provide transmission services for various train-ground voice and data transmission
"cloud computing"	a type of computing that relies on sharing computing resources rather than having local servers or personal devices to handle applications
"CMA"	the China Metrology Accreditation
"CMMI"	the capability maturity model integration for software, a form of accreditation
"CNAS"	the China National Accreditation Service for Conformity Assessment
"communication system"	a system using information transmission and exchange technology for rail transportation
"CTC"	the centralized traffic control system, a system used by railway control center that centralizes the control of railway signal equipment and directs and manages the operation of trains within certain section of railways
"CTCS"	the Chinese train control system, a system that ensures safe operation of trains developed by China, which is classified into level 0 to level 4, based on the operational requirement level of railway lines, and their respective function and equipment configuration. As the level increases, more advanced technology is adopted
"ETCS"	the European train control system, a system developed by European Union that ensures the safe operation of trains, which is classified into level 0 to level 3 based on the operational requirement level of railway lines. As the level increases, more advanced technology is adopted
"ferrous metal"	a generic term for iron, chromium and manganese, including alloys thereof

"Four Horizontal and Four Vertical High-speed Railway Corridors"	according to the "Mid-to-Long Term Railway Network Plan" (revised in 2008), China has been constructing the high-speed railway grid which will be completed for operation by the end of 2015. The four north-south high-speed railway corridors are Beijing to Shanghai High-speed Railway, Beijing to Shenzhen High-speed Railway, Beijing to Harbin High-speed Railway, and Shanghai to Shenzhen High-speed Railway. The four east-west high-speed railway corridors are Xuzhou to Lanzhou High-speed Railway, Hangzhou to Kunming High-speed Railway, Qingdao to Taiyuan High-speed Railway, and Nanjing to Chengdu High-speed Railway
"GSM-R"	the global system for mobile communication - railway, an integrated digital mobile communication system specially designed for railway communications
"GSM-R BTS"	the base transceiver station based on GSM-R. A base transceiver station is the equipment that facilitates wireless communication between user equipment and a network
"GSM-R MSC"	the mobile switching center based on GSM-R. Mobile switching center is the center equipment of the GSM network, facilitating switching and connection among all the functions of the network
"heavy-haul railway"	a type of railway which meets at least two of the following three conditions: (i) the hauling weight of the train is no less than 8,000 tons; (ii) the axle weight of the train reaches 27 tons or more; and (iii) the mileage of the railway is no less than 150 km, and the annual carrying capacity is no less than 40 million tons
"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
"interlocking systems"	a system that maintains interactions among signals, switches and routes to ensure safety of train operation
"intermittent train control system"	the CBTC working under the intermittent information transmission mode

"IoT"	the internet of things, a network based on information vectors such as the internet, and traditional telecommunications, in which all the independently addressable physical objects can be interoperable
"IRIS"	the International Railway Industry Standard
"marshalling yard"	a depot where a large number of freight wagons are decoupled and classified and which has classification facilities specialized for such purposes
"MATC"	the maglev automatic train control system, a moving block system based on cross inductive loop for low and medium speed maglev trains
"modern tram"	the light-axle transportation system running on the rail and powered by electricity
"non-ferrous metal"	a generic term for any metal that does not contain iron, chromium and manganese
"normal-speed railway"	railway with an operating speed lower than 160km/h
"rail switch equipment"	equipment used to control the rail switch, including switch machine and external locking device, among other things
"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
"railway hump"	an artificially built hill to use the force of gravity to propel the trains through the ladder
"RBC"	the radio block center, to generate movement authority and other control information for trains, which are transmitted to onboard train control equipment through wireless communication

"relay"	an electric control device which controls the predetermined phasic change of circuit in the process of electricity output when the value of electricity input change reaches to the standard
"signal system"	a system using manual, automatic and remote control technology to ensure train safety and enhance the traffic capacity among areas and stations
"SIL"	the safety integrity level, which is used to specify a target level of risk reduction
"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
"switch machine"	the equipment used to switch the tongue rail or nose rail of the locking turnout and to reflect position and status thereof, which includes electric rail switch and electric hydraulic rail switch
"TETRA"	Terrestrial Trunked Radio, a multifunctional digital trunked mobile radio standard produced by the European Telecommunications Standards Institute
"TDCS"	the train dispatching command system, a basic equipment for dispatch and control of railway transportation
"TD-LTE"	the time-division long-term evolution, a 4G telecommunications technology and standard
"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

"TSRS"	temporary speed restrict server, an equipment to realize centralized management of the rail transportation temporary speed restriction orders
"urban transit"	the electricity-powered public transportation operating on rails, which has high carrying capacity, including metro and light rail

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and plans for the development of existing and new businesses, ability to implement such strategies and plans and expected time:
- our newly signed contract value and backlog;
- our financial position;
- our dividend policy;
- our ability to cut costs;
- the regulatory environment of the rail transportation control system industry in the PRC, overall industry outlook and competitive environment;
- the development of the capital market;
- certain statements in the sections entitled "Risk Factors", "Industry Overview", "Regulatory Environment", "Business", "Financial Information", "Relationship with Our Controlling Shareholder" and "Future Plans and Use of Proceeds" with respect to interest rate trends, exchange rates, prices, volumes, operations, margins, risk management and overall market trends;
- developments and competition in the PRC and global rail transportation control industry; and
- general economic conditions.

The words "aim", "anticipate", "believe", "intend", "continue", "could", "estimate", "expect", "going forward", "propose", "may", "ought to", "plan", "potential", "speculate", "forecast", "arrange", "seek", "should", "target", "will", "might" and the negatives of these terms and other similar expressions, as they relate to us, identify a number of these forward-looking statements. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including risk factors as set out in this prospectus. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as

anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to publicly update or revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

In this prospectus, statements of or references to our intentions or that of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in our H Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of the risks mentioned in this section. The trading price of our H Shares could decline due to any of these risks, and you may lose part or all of your investment. You should pay particular attention to the fact that we are a company incorporated in the PRC, our business is primarily located in the PRC and we are governed by a legal and regulatory environment that may differ from that which prevails in other countries and jurisdictions. For more information concerning the PRC and certain related matters discussed below, see "Regulatory Environment", "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of the Articles of Association" in this prospectus for further details.

There are certain risks involved in our operations and many of these risks are beyond our control. These risks can be characterized as: (i) risks relating to our business operations; (ii) risks relating to our industry; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may develop and become material and could also harm our businesses, financial condition and results of operations.

RISKS RELATING TO OUR BUSINESS OPERATIONS

Our businesses and financial performance may be affected by changes in the PRC government policies with respect to the rail transportation industry. Any decrease in the public expenditures on, or any change in the public procurement policies or industry standards relating to, rail transportation may affect our business.

We mainly provide rail transportation control system products and services in the PRC. The development of the PRC rail transportation control system industry is dependent upon the investment in rail transportation projects. However, the nature, scale and timetable of these projects may be affected by a number of factors, including the overall investment in rail transportation projects and the governmental approval process of new rail transportation projects, over which the PRC government exerts significant influence. In addition, if the PRC government implements policies or economic measures that materially affect or restrict the PRC rail transportation industry, it may largely reduce the number of new construction projects and the amount of capital expenditures in the PRC rail transportation industry and have a material adverse effect on our business operation and financial position. The PRC government's annual investment in railway projects has fluctuated in recent years. According to the Sullivan Report, the total investment in national railway construction projects in the PRC was RMB704.5 billion and RMB842.7 billion in 2009 and 2010, respectively, and decreased to RMB590.6 billion in 2011. The total investment in national railway construction projects in the PRC has recovered since 2012, and increased to RMB808.8 billion in 2014. Meanwhile, the total investment in urban transit projects increased from RMB164.2 billion in 2009 to RMB274.0 billion

in 2014, representing a CAGR of 10.8%. We cannot predict whether the total annual investment in and the market size of the PRC rail transportation industry will continue to grow in the future. If the total annual investment or the market size declines, our business operation and financial position may be affected.

The PRC government has recently been upgrading the existing transportation system in the PRC. Under the 12th Five-Year Plan, the PRC government plans to increase the overall investment in transportation infrastructure by implementing various measures such as accelerating the development of railway and urban transit systems, and has promulgated a number of laws and regulations to support and promote the development of the PRC rail transportation and related industries. Although the PRC government has historically been supportive of the development of the railway transportation industry, its industrial policy may change from time to time and it may adopt new policies or measures to further regulate the rail transportation industry due to changes in macroeconomic trends or certain unexpected events. We cannot assure you that the current favorable policies will remain in force in the future. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, we derived approximately 100.0%, 96.5%, 93.2% and 91.1%, respectively, of our revenue from rail transportation control system products and services, among which a significant portion was derived from customers affiliated with CRC. If the PRC government reduces its public investment in, or changes any industrial standards relating to, the railway or urban transit industry in the PRC, or if any of our major customers, including those affiliated with CRC, changes its procurement or bidding policy, it could have a material adverse effect on our business, financial position and results of operations.

Loss of major customers or changes in their orders may have an adverse impact on our business.

Revenue from our five largest customers accounted for 21.0%, 24.3%, 22.4% and 18.2% of our total revenue for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively. Since most of our revenue was derived from railway-related businesses, customers affiliated with CRC contributed a significant portion of our revenue. We expect to continue to rely on our current major customers, including the customers affiliated with CRC, for a significant portion of our revenue in the future due to the nature of our business.

Substantially all of the PRC railway lines are operated by CRC and its affiliates. We generally win purchase orders for railway control system products and services from the customers affiliated with CRC through their public bidding processes. In terms of business operation, such customers have sole discretion to decide and select the supplier for their rail transportation control system projects. On the other hand, from the macroeconomic prospective, CRC's budget on rail transportation spending may affect our overall financial performance. Our major customers for urban transit control system products and services are urban transit operating enterprises in different cities. If any of our customers affiliated with CRC or any other major customers significantly reduce, modify, postpone or cancel their purchase orders with us, we may not be able to get substitute orders with similar terms from other customers in a timely manner or at all. Moreover, due to the nature of our business, the contract value

of a single contract is usually large. As a result, losing any single contract or bid may affect our results of operations. If we were unable to be awarded expected contracts from our major customers or to enter into contracts on terms favorable to us or at all, our business and financial position may be adversely affected.

We may face potential product liability claims or suffer losses due to defects in our products or services.

Due to the nature of our business, we are exposed to risks of product liability claims or government penalties relating to the design, research and development, manufacturing, installation, testing, maintenance and sales of our rail transportation control system products and services. Although we provide limited product warranties to our customers, we may be subject to product liabilities caused by defects in our products or services as determined by accident investigations even if the accident occurs after the expiration of the warranty period. We cannot guarantee that we will be able to have our actual or alleged product or service defects remedied in a timely manner, at reasonable costs, or at all. Moreover, in certain jurisdictions which impose strict liability on product defects, we could be held liable for injuries or accidents involving our products even if the defects are not caused by us. We may be held liable for any damages or losses incurred in connection with or arising from defective products manufactured or designed by us, and if the damages or losses are severe, we may also be subject to administrative penalties imposed by the government. If our products or services are proven to be defective and have caused personal injury, property damage or other losses to rail passengers, we may be held responsible under liability claims under the laws of the PRC or other jurisdictions in which our products or services are sold, used or provided. We may need to devote substantial funds and other financial and administrative resources to rectifying or preventing potential product liability incidents, which could affect our working capital, cash flow and results of operation. In addition, negative publicity concerning any defects of our products or services could adversely affect our reputation, customer satisfaction and market share.

On July 23, 2011, D301 train collided with D3115 train on the Ningbo-Wenzhou High-Speed Railway. CRSC, as one of the responsible parties and in response to the incident, took immediate rectification measures as well as implemented enhanced internal control mechanisms. See "Business—Quality and Safety—7.23 Incident" for more details.

In addition, we generally do not carry product liability insurance for our products. If any of our products or services is proven to have quality issues, fails to meet national or industrial standards or has the potential to harm people or property, we may have to recall such products or modify our design, be subject to penalties, have our operating licenses or permits revoked, suspend the manufacturing and sales of our products, or be ordered to take corrective measures. We may incur substantial expenses in connection with product recall and modification of design. A product recall or any negative publicity concerning the defective products may also affect our reputation and brand, resulting in decreased demand for our products and leading to stricter scrutiny by regulatory agencies over our operations.

Any claims against us, regardless of their merits, could materially and adversely affect our financial condition. If we recall any of our products or are punished by governmental authorities, our business activities, financial condition and results of operations, as well as reputation, could be adversely affected.

Our research and development may not always achieve anticipated results and we may not be able to develop new products that meet market demand or successfully introduce new products in a timely manner.

We are a technology-driven company. To maintain our leading position in the industry and meet the requirement of transportation safety and efficiency, we may have to continuously improve the existing technology and products, design and develop new technology and products that closely follow technology development trends and customer needs. Thus, we have devoted substantial resources to our research and development activities. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our expenditures on research and development amounted to RMB443.7 million, RMB585.2 million, RMB749.9 million and RMB151.0 million, respectively, or 4.2%, 4.5%, 4.3% and 3.2%, respectively, of our total revenues for the same periods. However, we cannot guarantee that our research and development activities will always keep pace with market demand and technological advances or yield the anticipated results. The technologies that we spend substantial capital and human resources to develop may not be able to deliver expected commercial returns when they are developed due to changing technology trends and market demands. If we encounter delays in technology development, fail to meet changing market demands, underestimate or fail to follow technological trends, or our competitors respond more quickly than we do, our business or operating results may be materially and adversely affected. Failure to develop and introduce new products in accordance with the rail transportation control system industry trends on a timely basis or at all could reduce our competitiveness and profitability.

The preference of our key customers for certain types of technologies with respect to rail transportation control system products may affect our focus on product development and overall profitability. If our customers change preference for products or technologies that we have developed or we are developing, or modify their procurement policies to favor certain types of products that we cannot produce or develop in a timely manner, we may fail to sell our products to such customers and thereby suffer losses or experience reduction or interruption in the production of our relevant products, or disruption of our relevant operations. The occurrence of such events could adversely affect our profitability.

We may not be able to adequately protect our intellectual property rights, which could reduce our competitiveness, and may face claims for improperly using intellectual property owned by others or otherwise infringing their intellectual property rights, which could damage our reputation or adversely affect our financial condition and profitability.

We rely on a combination of patents, trademark registrations, copyrights, non-competition and trade secret laws and confidentiality agreements with our employees to protect our intellectual

property rights. As of the Latest Practicable Date, we had 32 registered trademarks, 47 pending trademark applications, 700 registered patents, 186 pending patent applications and 411 software copyrights in the PRC. Further, we own other intellectual properties such as non-registered trade secrets, and proprietary technologies, procedures and processes. See "Business — Intellectual Property Rights" for further details. We cannot assure you that the measures that we have taken will be sufficient to prevent any misappropriation of our intellectual property or that our competitors will not independently develop, or obtain through licensing, alternative technologies that are substantially equivalent or superior to ours. Furthermore, we cannot assure you that all our registration applications will be successful, or our registered intellectual property rights will not be subject to any objection. In the event that the steps we have taken and the protection afforded by law do not adequately safeguard our intellectual property rights, or we are not able to register or defend our intellectual property rights, or our competitors exploit our intellectual property in the manufacturing and sale of competing products in the markets we operate, our business could be materially and adversely affected.

We could also face claims by others that we are improperly using intellectual property owned by them or otherwise infringing their rights in intellectual property. Irrespective of the validity or the successful assertion of such claims, we could incur costs in either defending or settling any intellectual property disputes alleging infringement. Any adverse rulings in litigations or other proceedings could result in the loss of our proprietary rights and subject us to liabilities or even business disruption. Any potential intellectual property litigation against us could also force us to, among other things, cease selling the challenged products, develop non-infringing alternatives or obtain licenses from the owner of the allegedly infringed intellectual property. We may not be successful in developing such alternatives or in obtaining such licenses on reasonable terms which could damage our reputation and affect our financial condition and profitability.

Our operation depends on the availability of an adequate supply of key components, raw materials and energy at acceptable prices, in satisfactory quality and in a timely manner.

The success of our business largely depends on our ability to obtain from suppliers sufficient key components, raw materials and energy at acceptable prices, in satisfactory quality and in a timely manner. Such expenses represent a significant portion of our cost of sales. We mainly procure components, including certain key components supplied by some particular suppliers, from independent third party suppliers in the PRC and overseas. During the Track Record Period, we used more than 100,000 types of components and raw materials during manufacturing. As we do not have exclusive contracts with our suppliers, we may not be able to obtain sufficient supply of all of the components and raw materials that we require in a timely manner from suppliers to meet our delivery schedule as agreed with our customers. As a result, if we are unable to purchase any key components from any suppliers upon agreed terms or in a cost-effective manner or if any supplier ceases to supply to us on any ground and we are unable to find alternative suppliers on commercially acceptable terms in a timely manner, we may experience delays in our manufacturing and incur substantial costs and penalties which could result from delayed delivery or breach of contract.

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, costs to purchase components and raw materials accounted for 79.2%, 80.4%, 80.9% and 80.2% of our total cost of sales, respectively. The prices and availabilities of such components and raw materials may vary significantly from period to period due to factors such as consumer demand, supply, market conditions and costs of raw materials. In addition, any unavailability of or interruption in electricity could materially and adversely affect our production and business operations.

We cannot assure you that shortages of key components, raw materials or energy will not occur in the future or that we will be able to pass all increases in key components, raw materials and energy costs on to our customers. Any failure to obtain adequate key components, raw materials or energy on commercially acceptable terms, in satisfactory quality or in a timely manner, or at all, could materially and adversely affect our business, results of operations and financial condition.

If we fail to accurately estimate the overall risks or costs under the contracts with our customers, or the time needed to complete the relevant projects under such contracts, we may experience cost overruns, schedule delays, lower profitability or even losses under such contracts when we perform such contracts.

We currently generate and expect to continue to generate substantially all of our revenues from fixed-price contracts. These contracts require us to complete projects at a fixed price, and therefore expose us to the risk of cost overruns. Cost overruns, whether due to efficiency, estimates or other reasons, could result in lower profit or losses. Other variations and risks inherent in the performance of fixed price contracts such as delays caused by inclement weather, default by subcontractors, technical issues, and any inability to obtain the requisite permits and approvals, may cause our actual risk exposure and costs to differ from our original estimates. In addition, although some of our project contracts contain price adjustment clauses and we may also enter into supplementary agreements with customers to provide for price adjustments according to project-specific conditions, such price adjustments are subject to a variety of limitations and usually we would still be required to bear a portion of the increased cost.

We may be unable to deliver products or complete projects in accordance with the schedules set forth under the contracts. Our projects and our manufacturing and sales of products could be delayed for a number of reasons, including those relating to market conditions, policies, laws and regulations of the PRC and other relevant jurisdictions, availability of funding, transportation, disputes with business partners and subcontractors, technology and raw materials suppliers, employees, local governments, natural disasters, power and other energy supplies, and availability of technical or human resources.

We cannot guarantee that we will not encounter cost overruns or delays in our current and future delivery of products and completion of projects. If such cost overruns or delays were to occur, our costs could exceed our budget, and our profits on the relevant contracts may be adversely affected.

We may need to cooperate with third parties to complete some of our projects, and any failure by such third parties to meet our standards or perform their obligations may adversely affect us.

For cost, efficiency or qualification reasons, we may need to cooperate with third parties to complete some of our projects, including forming alliances with third parties to bid on projects and engaging subcontractors to complete part of our projects. However, we may not be able to monitor the performance of these third parties as directly and efficiently as we monitor our own employees. In addition, if we are unable to find qualified third parties or such third parties fail to complete the part of the projects they have contracted, our ability to successfully complete our projects could be impaired. Additionally, if the cost for subcontractors exceeds what we have estimated when pricing our contracts with customers, our profitability may be affected. We also face the risks that subcontractors may fail to perform their contractual obligations in a timely manner, at acceptable quality or at all. As a result, we may experience deterioration in the quality or timely delivery of our projects, incur additional costs due to the delay or higher prices of alternative services, equipment or supplies, or have to assume the liabilities caused by the performance by such third parties under the relevant contracts, in which case our profitability, financial condition and reputation could be harmed, and we may be exposed to litigation and claims for damages.

We may experience delays or defaults in payment of accounts receivables or in release of retention by our customers, which may adversely affect our cash flow and working capital, financial condition and results of operations.

With respect to our design and integration and equipment manufacturing businesses, we generally grant a credit period of six months to major customers and long-term customers with good creditworthiness. We may allow additional flexibility by offering customers a credit period longer than six months on an individual basis. For smaller, new or short-term customers, settlement is usually required shortly after the rendering of services or delivery of products. With respect to our system implementation business, we typically require our customers to make advance payment of no less than 10% of the total contract price upon signing of the contract. We usually require subsequent progress payments based on the amount of work that we have completed at specified milestone dates, and collect final payment upon completion of the entire project. Therefore, we incur accounts receivables both during and after the completion of the projects. In addition, our customers typically withhold approximately 5% of the total contract price as retention after completion of the project, which are usually released without interest after the acceptance and delivery of projects pursuant to the terms of our contracts. For details of our credit policies, see "Business — Sales and Marketing — Material Contract Terms — Credit Policy and Payment Terms" and "Business — Sales and Marketing — Material Contract Terms — Deposits."

We face the risk that customers may delay their settlement with us or delay or fail to make settled payment as scheduled. As of December 31, 2012, 2013 and 2014 and March 31, 2015, our trade and bills receivables (including the portion classified as non-current assets) were RMB4,564.0 million, RMB6,311.0 million, RMB7,920.3 million and RMB8,537.1 million, respectively. See "Financial Information — Net Current Assets — Trade and Bills Receivables." Delays or failures in payments by

customers may affect our cash flow and ability to meet working capital requirements. Furthermore, defaults in payments to us on projects for which we have already incurred significant costs and expenses can materially and adversely affect our results of operations and reduce our financial resources that would otherwise be available to fund other projects. As of December 31, 2012, 2013 and 2014 and March 31, 2015, our provision for impairment of trade receivables was RMB374.8 million, RMB414.8 million, RMB433.6 million and RMB442.0 million, respectively. The provision for impairment of trade receivables represented 8.3%, 6.5%, 5.7% and 5.3% of our trade receivables before impairment, respectively. However, we cannot assure you that such provision may be sufficient in the future. We cannot assure you that payments from customers will be made in a timely manner or at all, or that delays or defaults in payments will not affect our financial condition and results of operations.

We are exposed to risks associated with public project contracts.

Due to the nature of our industry, we are exposed to risks associated with public project contracts. For example, many of our contracts are for large and high-profile infrastructure projects, which can result in increased political and public scrutiny of our work. The majority of our customers are affiliated with government authorities. Such customers may delay making payments for our projects, and it may take a considerably longer period of time to resolve disputes with these customers than resolving disputes with customers in private sectors.

Moreover, such government-affiliated customers may require us to undertake additional obligations, change the type of our services, equipment used or other terms of service, or instruct us to make rearrangement of services or purchase specific equipment, or modify other contractual terms from time to time for the social benefit or other administrative purposes, resulting in additional costs incurred by us if not reimbursed by such customers in full. If any early termination by any government-affiliated customers occurs or if we fail to renew the contracts with them in the future, our backlog may be reduced and our investment plan may be hindered, which may have a material adverse effect on our business and financial performances.

Our backlog may not be indicative of our future results of operations.

Backlog refers to the total estimated contract value of work that remains to be completed pursuant to outstanding contracts as of a certain date, assuming performance in accordance with the terms of the contract. Backlog is not a standard financial measure that has been defined by generally accepted accounting principles, and may not be indicative of future operating results. As of December 31, 2012, 2013 and 2014 and May 31, 2015, our aggregate backlog was approximately RMB4,851.6 million, RMB13,825.5 million, RMB26,812.1 million and RMB29,762.1 million, respectively. However, this figure is based on the assumption that our relevant contracts will be performed in full in accordance with their terms. The termination or modification of any one or more major contracts

may have a substantial and immediate effect on our backlog. We cannot guarantee that the amount estimated in our backlog will be realized in full, in a timely manner, or at all, or that, even if they are realized, such backlog will result in profits as expected. As a result, you should not rely on our backlog information presented in this prospectus as an indicator of our future earnings.

Some of our operations may expose us to liability claims from customers or third parties.

Many of our business contracts are subject to specific completion timetable and we are subject to liquidated damages in the event that such timetable is not achieved. We may also face liabilities associated with the subsequent use by our customers or third parties of our products or services after products or services are delivered on schedule due to the inherent risks of our operations. Our efforts and measures to limit exposure to claims, including through contractual limitation of liabilities and indemnities from customers, subcontractors and suppliers, may not provide sufficient protection to us and may be limited by various factors outside our control, including:

- in some of the jurisdictions in which we operate, including the PRC, environmental and workers' compensation liabilities may be assigned to us as a matter of law and may not be limited through contracts;

- customers and subcontractors may not have adequate financial resources to meet their indemnity obligations to us;

- losses may arise from risks not addressed in our indemnity agreements; and

- our insurance coverage may not be sufficient because it may not be possible to obtain adequate insurance against some risks on commercially reasonable terms or at all. Insurance coverage, in particular, has become increasingly expensive and sometimes, difficult to obtain.

Moreover, there may be circumstances where we are not fully covered by insurance policies for environmental liability, business interruption or loss of profit arising from disruptions of our operations such as accidents at our construction sites or facilities, demonstrations and protests by our workers or third parties. Failure to effectively cover ourselves against these risks for any of the above reasons could expose us to substantial costs and may lead to significant losses. Additionally, the occurrence of any of these risks may harm our reputation, which may inhibit our ability to win future projects.

Any loss of or reduction in the preferential tax treatment and government grants we currently enjoy in the PRC or our non-compliance with the relevant PRC tax laws and regulations may negatively affect our financial condition.

We benefit from tax incentives and receive government grants. As of March 31, 2015, our Company and 21 of our subsidiaries were recognized as high and new technology enterprises by the PRC government, which entitled each of them to a reduced income tax rate of 15% (compared to the statutory income tax rate of 25%). In addition, one of our subsidiaries is entitled to the preferential income tax rate of 15% as it operates in the western region of the PRC and engages in the industries which are entitled to preferential tax treatment pursuant to the applicable tax laws and regulations. Our effective income tax rates for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015 were 12.0%, 15.9%, 17.5% and 16.8%, respectively. The qualification as a "high and new technology enterprise" is subject to annual evaluation and a three-year review by the relevant authorities in the PRC. In order to maintain such qualifications and the preferential tax rates, we and our subsidiaries shall submit a review application to the relevant Science and Technology Commission agencies. The "high and new technology enterprise" qualification of our Company and five of our subsidiaries will expire by the end of 2015. We are in the process of applying for the renewal of such preferential tax treatments before expiration. However, we cannot assure you that the Company or our subsidiaries that currently qualify as "high and new technology enterprises" will continue to qualify for such status in the future. If the Company or any such subsidiaries fail to maintain their "high and new technology enterprise" qualifications or renew these qualifications when the relevant term expires, their applicable income tax rates would increase to 25%, which could have a material adverse effect on our financial condition and results of operations. Moreover, the PRC government could eliminate any of these preferential tax treatments before their scheduled expiration.

In addition, for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, we received government grants, recorded as other income and gains, of RMB94.0 million, RMB111.4 million, RMB124.9 million and RMB15.1 million, respectively. Such government grants mainly included tax refunds, financial assistance for research and development projects and subsidies. The amounts of and conditions attached to such grants were determined at the sole discretion of the relevant governmental authorities. We cannot assure you that we will be eligible to continue to receive such government grants or that the amount of any such grants will not be reduced in the future, and even if we continue to be eligible to receive such grants, we cannot guarantee that any conditions attached to the grants will be as favorable to us as they have historically been.

Expiration or elimination of, or other adverse changes to, any of these tax incentives, or reduction or discontinuation of these government grants could adversely affect our financial condition and results of operations. In addition, the PRC government from time to time adjusts or changes its policies on value-added tax, business tax and other taxes. Such adjustments or changes, together with any uncertainty resulting therefrom, could have an adverse effect on our business, financial condition and results of operations.

Furthermore, we are subject to periodic examinations on our fulfillment of tax obligation under the PRC tax laws and regulations by PRC tax authorities. If we fail to fulfill our tax obligations for any reasons, we may be subject to fines, other penalties or actions upon examinations by PRC tax authorities and our business, financial condition and results of operations as well as our reputation may be adversely affected.

We are exposed to various risks in developing new businesses, including power supply and electrification, modern tram and integrated information system solutions.

We plan to expand into new business. Expansion of new businesses may bring risks, including risks relating to insufficient operating experience in certain sectors and markets, changes in governmental policies and regulations and other adverse developments affecting such sectors and markets. For example, our expansion into power supply and electrification business may not yield the expected result if we cannot effectively integrate our internal and acquired resources, including the resources from Zhengzhou Zhongyuan after the completion of our acquisition of it. The success of our modern tram business is subject to a variety of factors beyond our control such as market acceptance of modern tram and central and local governments' approval and budget. Expansion of new businesses may also stretch our capital, personnel and management resources and, as a result, we may fail to effectively manage our growth and incur additional indebtedness, net current liabilities and negative operating cash flows, which in turn could have a material adverse effect on our business, results of operations and financial condition. In addition, there may already be established players with significant market shares in these sectors and markets, making it difficult for us to compete with them.

If we fail to expand new businesses effectively or as expected, or fail to achieve anticipated results, our business, results of operations and financial condition may be materially and adversely affected.

Future acquisitions may not be successful.

In addition to organic growth, we may supplement our business through acquisitions. During the Track Record Period, we acquired six subsidiaries. In addition, we entered into certain agreements in 2014 and 2015 with respect to the acquisition of Zhengzhou Zhongyuan through capital increase, in order to accelerate the development of our electrification business. As of the Latest Practicable Date, this transaction has not been completed. The audited results of Zhengzhou Zhongyuan (including the data presented in the Financial Information section in this prospectus) were prepared by a local accounting firm in accordance with the China Enterprise Accounting Policies, Rail Transportation Enterprise Accounting Methods and related accounting standards. Our Reporting Accountants have not audited or reviewed those results. Adjustments may arise if Zhengzhou Zhongyuan's financial statements had been audited or reviewed by our Reporting Accountants. If there are any material adjustments, our financial condition after the completion of this transaction may be adversely affected. See "Waivers from Strict Compliance with the Hong Kong Listing Rules" and "Financial Information — Proposed Acquisition."

Implementing our acquisition strategies may expose us to the following risks which could have adverse effects on our business, financial condition, operating results and future prospects:

- unidentified or unforeseeable liabilities or risks may exist in the potential assets or business to be acquired;
- failure to assimilate acquired business and personnel into our operations or failure to realize anticipated cost savings or other synergies from the acquisition;
- incurring additional debts which could reduce our available funds for operation and other purposes as a result of increased debt repayment obligations;
- inability to retain employees;
- loss of customers; and
- diverting efforts of the management and other resources.

We may not be aware of good acquisition opportunities, or carry out acquisitions on favorable terms or obtain the required financing to complete the acquisition. Moreover, the anticipated future business expansion after the acquisition may create significant pressure on our management, internal control and computer system and resources, and may also incur additional expenses. In addition to training, management and consolidation of staff, we are also required to continue developing and strengthening our management and financial supervision. We cannot assure you that all acquisitions will generate long-term benefits for us, or that we will be able to integrate the acquired business effectively. Any failure to achieve the above results may have material adverse effects on our business, financial condition, operating results and future prospects.

We are exposed to risks associated with operating overseas.

During the Track Record Period, we derived a portion of our revenue from overseas. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our revenue generated from overseas sales amounted to RMB114.3 million, RMB342.6 million, RMB576.7 million and RMB46.0 million, respectively, representing 1.1%, 2.6%, 3.3% and 1.0% of our total revenue for the same periods, respectively. These revenues were mainly attributable to our equipment manufacturing and system implementation businesses. We have been exploring business opportunities in selected foreign markets and strategically expanding the global footprint of our overseas operations. For example, while continuing to expand our geographic footprint in Asia, Africa and Latin America, we also focus on penetrating key emerging markets such as India, Brazil and Eastern Europe, and plan to enter the upgrade market for rail transportation in economically developed countries such as the United States. Expansion into new markets outside of the PRC exposes us to substantial risks such as differences in general business environment, entry barriers for foreign

players, established incumbent players in these markets, legal and regulatory requirements, potentially adverse tax consequences, insufficient operating experience in new markets, licensing regimes, local competition and protectionism. We cannot assure you that we will be able to further expand into or operate successfully in the overseas markets that we currently plan or may in the future plan to enter into.

Our overseas business is mainly located in developing countries and regions that are subject to changing political and economic conditions beyond our control. As a result of our overseas operations, we are exposed to various risks associated with the foreign countries and regions where we have businesses, including:

- political risks, including risks of loss due to civil unrest, acts of terrorism, acts of war, regional and global political or military tensions and strained or altered foreign relations;
- economic, financial and market instability and credit risks;
- abrupt changes in foreign government regulations or policies or loss or change in preferential treatments;
- foreign currency controls and losses or adverse tax policies for foreign companies;
- trade or custom restrictions which might become an obstacle for the import and export of our products;
- protectionism of domestic enterprises or corrupt business practices;
- competition from other international or local rail transportation control system companies;
- other countries' or internationally accepted industry standards may differ from those domestic standards we currently adopt in the PRC and there are uncertainties whether our foreign project owners will accept the PRC standards we currently adopt;
- adverse labor conditions or failure to seek appropriate local talents;
- potential disputes with foreign partners, customers, subcontractors or suppliers; and
- lack of a well-developed or independent legal system in the foreign countries in which we have overseas operations, particularly the developing countries in Africa and Latin America, which may create difficulties in the enforcement of contractual rights.

In addition, we may be required to deploy management resources and personnel to high-risk areas where our overseas projects are located. As such, we may incur substantial costs to implement safety and security measures to protect our personnel and assets. Such measures may not always be adequate. Any of the above factors could lead to, amongst others, project disruptions and losses of personnel and assets, which could harm our overseas business operations, reputation in international market, overall financial condition and profitability.

We could be adversely affected as a result of our operations in or contracts involving certain countries that are subject to evolving economic sanctions of the U.S., U.N., E.U. and other relevant jurisdictions.

The U.S. and to a lesser extent other jurisdictions, including the E.U., Australia and the U.N., have broad economic sanctions targeting certain countries or territories, which collectively include Cuba, Crimea, Sudan, Iran, Syria, and North Korea (collectively, the "**Sanctioned Countries**"). In addition, the U.S. and other jurisdictions have certain sanctions which also target individuals or entities regardless of whether they are located in Sanctioned Countries. For example, the U.S. and other jurisdictions, including the E.U., have imposed limited sanctions targeting certain sectors of the economy, and certain entities and individuals in Russia or otherwise with respect to the conflict with Ukraine and certain entities and individuals in Iraq or associated with the former Iraqi government. For details on the relevant sanctions laws, see "Regulatory Environment — Descriptions of Sanctions Laws." During the Track Record Period, we sold rail transportation communication and signal products and provided related services for certain projects in Iran, a Sanctioned Country, and Iraq. We have leased an office in Iran, which historically had three to five people providing supporting services in relation to our projects in Iran. We also entered into a marketing and promotion cooperation agreement with a Russian counterparty in January 2013. As of the Latest Practicable Date, we have generated no revenue under this agreement. Our revenue derived from countries subject to sanctions in aggregate accounted for approximately 0.02%, 1.22%, 1.09% and 0.51% of our revenue for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively. For details of the business operations in the countries subject to sanctions, see "Business — Sales and Operations in Countries subject to Sanctions." In relation to those contracts, we have not been notified that any sanctions will be imposed on us. To our knowledge, none of the counterparties of any current contracts under which we are still performing work are specifically identified on the list of Specially Designated Nationals and Blocked Entities ("**SDN**") administered by the U.S. Department of the Treasury, Office of Foreign Assets Control ("**OFAC**") or other restricted parties lists maintained by the U.S., the E.U., Australia and the U.N. We believe that the activities under these contracts do not involve industries or sectors that are currently subject to sector-specific sanctions imposed by the U.S., the E.U., Australia or the U.N. Although we do not think there is a material risk of sanction prosecution against us, it is not possible to entirely rule out that one of our contract parties in Iran may be owned or controlled by an entity that is designated on the U.S., E.U. and U.N. sanctions lists. Our work related to this contract has been completed and only a small minority of the contract payment remains to be collected.

We undertake to the Hong Kong Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Hong Kong Stock Exchange, to finance or facilitate any activities or business, directly or indirectly, (i) relating to or with the target of any sanction, or relating to, with, or in any countries subject to sanctions administered by the U.S., the E.U., Hong Kong, Australia or the U.N. authorities, or (ii) relating to CRSC International, one of our subsidiaries, considering the amount of its annual revenue related to projects in Iran during the Track Record Period. In addition, we also undertake to the Hong Kong Stock Exchange that we will not undertake any sanctionable transactions that would expose the Relevant Persons or us to risks of being sanctioned. If we breach any of these undertakings to the Hong Kong Stock Exchange after the Listing, it is possible that the Hong Kong Stock Exchange may delist our H Shares. In order to ensure our compliance with these undertakings to the Hong Kong Stock Exchange, we will continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. For details of our internal control procedures, see "Business — Sales and Operations in Countries subject to Sanctions — Our Undertakings and Internal Control Procedures."

As a company incorporated and based in the PRC, we will comply with all the PRC laws and applicable laws in the jurisdictions where we have operations. We will also seek to avoid any transactions that would cause us to be subject to sanctions under the laws of the U.S., the E.U., Australia, the U.N. or Hong Kong. However, to the extent such sanctions are imposed on our Company, our business and Shareholders' interests could be impacted.

We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy by the E.U., Australia, the U.N. or other applicable jurisdictions with respect to any current or future activities by us or our affiliates in the countries subject to sanctions. We have no present intention to undertake any future business that would cause us or Relevant Persons to violate or become a target of sanctions laws of the U.S., the E.U., Australia, the U.N. or Hong Kong. However, we can provide no assurances that our future business will be free of risk under sanctions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the U.S. authorities or the authorities of any other government or intergovernmental organization that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Our business and reputation could be adversely affected if the government of the U.S., the E.U., Australia, Hong Kong, the U.N. or any other governmental entity were to determine that any of our activities constitute a violation of the sanctions they impose or provide a basis for a sanctions designation of our Company. In addition, because many sanctions programs are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable. Over the past few years, the U.S. and the E.U. have significantly increased the scope of their Iran sanctions, many of which now have extraterritorial effect. Although we believe that our business operations currently do not involve industries or sectors that are subject to extraterritorial Iran sanctions, there is a possibility that the government of the U.S., the E.U. or other jurisdictions may introduce more severe sanctions, including in relation to Iran should the current ongoing negotiation efforts with the Government of Iran on nuclear issues fail, in which case, the current sanctions laws and regulations may be expanded to cover industries or sectors

in which we are involved. In such case, our business and Shareholders' interests could be impacted. In addition, certain U.S. state and local governments and universities have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain Sanctioned Countries. As a result, concern about potential legal or reputational risk associated with our historical and ongoing operations in countries subject to sanctions also could reduce the marketability of the Offer Shares to particular investors, which could affect the price of our Offer Shares and Shareholders' interests in us, despite our commitment not to use the proceeds from the Global Offering in relation to, among other things, dealings with any countries or territories subject to sanctions or other parties targeted by sanctions. In addition, international financial sanctions in effect against Iran may adversely affect our ability to receive payment under contracts related to Iran. Before investing in our Shares, you should consider if such investment would expose you to any of the U.S., the E.U., Australia, Hong Kong or other sanctions law risk arising from your nationality or residency. Any of these events could have an adverse effect on the value of your investment in us.

We are subject to litigation risks.

In our ordinary course of business, we may be involved in claims relating to our customers or suppliers or other third parties from time to time. See "Business — Legal Proceedings." In addition, claims may be brought against us for alleged defective or incomplete work, liabilities for defective products, delayed or improper delivery of products and services, personal injuries and deaths, breaches of warranty, delayed payments to our suppliers, labor disputes or late completion of projects or other contracts. If we were found to be liable for any of the claims, we would have to incur additional costs. Both claims brought against us and by us, if not resolved through negotiation, may be subject to lengthy and expensive litigation or arbitration proceedings. Charges associated with claims brought against us and write-downs associated with claims brought by us could have a material adverse impact on our financial condition, results of operations and cash flow. Moreover, legal proceedings resulting in judgments or findings against us may harm our reputation and damage our prospects for future contract awards.

Our employees or third parties may commit fraud or other misconduct that is beyond our control despite the internal control measures in place.

Fraud and other misconduct which may be committed by our employees or third parties can be difficult to prevent or deter despite our internal control measures in place. Such illegal actions could subject us to financial losses and harm our business and operations. For example, if our employees or any third parties we cooperate with commit any misconduct and cause economic losses to our customers or project owners, we may be held responsible for compensating such harmed parties. In addition to potential financial losses, improper acts of our employees or third parties could subject us to third-party claims, regulatory investigations and reputational losses. Any fraud or other misconduct committed by our employees or third parties could have an adverse effect on our reputation, business, financial condition and results of operations.

Insurance coverage for our business, products and properties may not be sufficient.

We purchase and maintain insurance policies in accordance with the needs of our operation. However, we cannot guarantee that our insurance policies will provide adequate coverage should we face extraordinary occurrences that result in losses. For example, we do not carry any insurance for business interruption or loss of profit arising from accidents at any of our manufacturing facilities or other disruptions of our operations such as demonstrations and protests by residents living in close proximity to our facilities. In addition, we do not carry product liability insurance for our products. We may not obtain certain insurance coverage or may experience difficulties in obtaining the insurance coverage we need, which could negatively affect our business, financial condition and results of operations.

Accidents or natural disasters may also result in significant property damage, disruption of our operations and personal injuries or fatalities, and our insurance coverage may be inadequate to cover such losses. In the event of an uninsured loss or a loss in excess of our insured limits, we could suffer damage to our reputation and/or lose all or a portion of our production capacity as well as future revenues expected to be generated by the relevant facilities. Any material loss not covered by our insurance could adversely affect our business, financial condition and results of operations.

We are subject to environmental regulations and may be exposed to potential costs for environmental compliance. Our failure to comply with environmental regulations may subject us to penalties.

Our operations are subject to environmental laws and regulations. In addition, the construction and operation of our production facilities may have an impact on the environment. We cannot assure you that our facilities and equipment will maintain a condition that continuously meets at all times all the standards under applicable environmental laws and regulations. Any violation of these laws and regulations may result in substantial fines, revocations of operating permits by regulatory authorities, shutdown of our facilities and requirements to take corrective measures. See "Business — Environmental Protection".

Moreover, the PRC government may take steps towards the adoption of more stringent environmental regulations. Due to the unanticipated changes and other developments in laws and regulations, the amount and timing of environmental expenditures may vary substantially from those originally anticipated. If there is any change in the environmental regulations, we may need to incur substantial capital expenditures to comply with environmental protection laws and regulations, including the costs of installing, replacing or upgrading our equipment related to pollution control and the costs of operational changes to limit any adverse impact of our operations on the environment.

Any limitations or costs incurred as a result of our non-compliance with environmental laws and regulations may have an adverse effect on our business, financial condition and results of operations.

Our business involves inherent industry risks and occupational risks

The industry we are operating in has inherent industry risks and occupational risks. We may be confronted with unpredictable difficulties associated with our equipment manufacturing and system implementation businesses, due to various reasons including bad weather and geological conditions, high-altitude construction, violation of safety procedures by employees, subcontractors and other third parties and the usage of large machines. These risks, dangers and difficulties may result in personal injuries, damage or destruction of the assets or manufacturing equipment, business interruption, potential legal responsibilities and harm to our reputation and image, and even fatalities. We cannot assure you that the measures we may take will effectively avoid such accidents. If such accidents happen, our reputation and image may be harmed and our business operation and results of operations may be affected.

We are also confronted with various types of operational risks, some of which may be beyond our control. Such operational risks include that the equipment essential to our operation may need maintenance because of accidents or may malfunction from time to time. If we cannot conduct necessary maintenance or replacement in a timely manner when such equipment is damaged or malfunctioned, our business may be interrupted or suspended, which may result in increased labor costs and may affect the assets and our results of operations.

Our operations require certain permits, licenses, approvals and certificates, the revocation, cancellation or non-renewal of which could significantly hinder our business and operations, and we are subject to periodic inspections, examinations, inquiries and audits by regulatory authorities.

We are required to obtain and maintain valid permits, licenses, certificates and approvals from various governmental authorities or institutions under relevant laws and regulations for our businesses of design and integration, equipment manufacturing and system implementation services. We must comply with the restrictions and conditions imposed by various levels of governmental agencies to maintain our permits, licenses, approvals and certificates. For our licenses and permits, see "Business — Licenses, Permits and Qualifications — Licenses and Government Permits." If we fail to comply with any of the regulations or meet any of the conditions required for the maintenance of our permits, licenses, approvals and certificates, our permits, licenses, approvals and certificates could be temporarily suspended or even revoked, or the renewal thereof, upon expiry of their original terms, may be delayed or rejected, which could materially and adversely impact our business, financial condition and results of operations.

In order to ensure our compliance with the restrictions and conditions required for maintaining our permits, licenses, approvals and certificates, the PRC governmental authorities at various levels conduct routine or special inspections, examinations, inquires and audits on us. We may be subject to suspension or revocation of the relevant permits, licenses, approvals or certificates, or fines or other penalties due to any non-compliance identified as a result of such inspections, examinations, inquiries and audits. We cannot assure you that we will be able to maintain or renew our existing permits, licenses, approvals and certificates or obtain future permits, licenses, approvals and certificates required for our continued operation on a timely basis or at all. In the event that we fail to comply with applicable laws and regulations or fail to maintain, renew or obtain the necessary permits, licenses, approvals or certificates, our qualification to conduct various businesses may be adversely impacted.

We may face challenges in further enhancing the integration of our business because of our large number of operating subsidiaries and their broad range of businesses.

As of the Latest Practicable Date, we had 65 subsidiaries in the PRC. Our history of operating as a group is relatively short as our reorganization was completed in 2011. We may face challenges in further enhancing the integration of our business as we have a significant number of subsidiaries (including subsidiaries acquired recently) with a broad business range and large management team. If we fail to enforce internal coordination measures effectively, potential competition may arise among our subsidiaries, particularly in system implementation business. In addition, upon Listing, we will become subject to the reporting obligations of the Hong Kong Stock Exchange. The business integration requirements and the reporting obligations of being a public company may present challenges to our management, financial and information system and internal control measures, which will require continuous improvement and development to operate more effectively. If we are not able to promptly and adequately implement our business integration initiatives, our business, financial condition and results of operations may be adversely affected.

Loss of our directors, senior management executives, senior technicians and employees with expertise could adversely affect our business and prospects.

The growth of our business operations depends on the continuous service of our directors and senior management executives. Their relevant details are set out in "Directors, Supervisors and Senior Management" of this prospectus. We will require an increasing number of experienced and competent senior management executives in the future to implement our growth plans. If one or more of our directors and senior management executives were unable or unwilling to continue in their present positions, we might not be able to replace them easily, or at all, and our business, financial condition and results of operations may be materially and adversely affected.

Our future success also depends, to a significant extent, on, among other things, our ability to attract and retain a large number of qualified, highly skilled and experienced research and development personnel, designers, engineers as well as other skilled employees with the relevant industry experience and expertise. Our research and development team with expertise in rail transportation control system products is critical to our technology development. Our senior technicians and quality control team are also essential to ensure the safety and high quality of our products. Our ability to attract and retain key personnel is critical to our competitiveness. However, competition for these individuals could require us to offer higher compensation and other benefits in order to attract and retain them, which would increase our operating expenses and in turn materially and adversely affect our financial condition and results of operations.

The interest of our largest shareholder may differ from those of other shareholders, which may adversely affect our business and financial condition.

Upon completion of the Global Offering, our largest shareholder, CRSC Corporation Group, will hold 75.52% of our Company's issued share capital, assuming no exercise of the Over-allotment Option. As the Controlling Shareholder and pursuant to our Articles of Association, it will be able to influence our significant operational and financial decisions (including dividend plans and investment decisions) that require a vote by our shareholders. In addition, CRSC Corporation Group will be able to influence the composition of our Board of Directors, have the power to indirectly influence the selection of our senior management and will have influence over the management of our Company through its representatives on our Board of Directors. It is possible that differences in opinion may arise between CRSC Corporation Group and our other Shareholders from time to time. We cannot guarantee that the influence CRSC Corporation Group has on our Company would be in the best interests of our other Shareholders.

We have not obtained valid title certificates for some of the properties and land that we own and occupy.

For some of the properties we occupy in the PRC, we, or our landlords, have not yet obtained sufficient title certificates that allow us to freely use or transfer the properties that we occupy or lease. For example, as of the Latest Practicable Date, we had 10 buildings with an aggregate gross floor area of approximately 192,430 square meters, for which we have not yet obtained valid building ownership certificates, 5 buildings with an aggregate gross floor area of approximately 220 square meters, for which we need to initiate or have not completed the title transfer procedures, and 20 buildings with an aggregate gross floor area of approximately 23,706 square meters, for which the landlords have not yet obtained valid building ownership certificates (although among which a majority of the landlords have signed the real property purchase agreement or completed the requisite application for construction). We cannot predict how our rights as owner, leasee or occupier of these properties and our business operations and financial condition may be adversely affected as a result of the absence of legal title to these properties or rights to lease these properties. We cannot assure you that ownership disputes or claims will not occur or that third parties will not assert any claims against us for compensation in respect of any illegal and/or unauthorized use of their land.

Our business operations may be affected by an occurrence of widespread public health problems, acts of war, natural disasters or other events beyond our control.

Our business may be interrupted for reasons beyond our control, which may include widespread health problems, acts of war or natural disasters such as bad weather conditions, flooding, typhoons, tsunamis, snowstorms, landslides, earthquakes and fires, as well as labor strikes or social turmoil. We operate our business in the PRC and overseas. Our operations and business could be adversely affected by the above factors that are beyond our control. The countries where we have operations may encounter epidemics, which may cause different degrees of damage to the national and local economies and result in material disruptions to our operations. The occurrence of natural disasters, unanticipated catastrophic events or a recurrence of an epidemic and other adverse public health developments in the countries where we have operations could severely disrupt our business operations, and in turn materially and adversely affect our business, financial condition and results of operations.

In addition, if our employees were to engage in a strike or other work stoppage, we could experience a significant disruption of operations and/or continuously increasing labor costs, which may have a material adverse effect on our business and results of operations.

RISKS RELATING TO OUR INDUSTRY

The cyclical nature of our industry may expose us to fluctuations in our financial condition and results of operations.

We operate in a cyclical industry that is sensitive to general economic conditions in the PRC and abroad. Rapid growth in the PRC economy and urban population could lead to an increased demand for railway and urban transportation, which could in turn foster demand for rail transportation control system products and services. Changes in market supply and demand could also have a substantial effect on our product prices, business, revenue and financial condition. Macroeconomic conditions (such as the government's announcement of economic stimulus policies to encourage the construction of public infrastructure), supply and demand imbalances, policies of the PRC government and other factors beyond our control, including import and export policies, value-added tax and export taxes could have a major impact on our market share, and the demand for and prices of our products. Increased demand for rail transportation and increased operating margins may result in a larger amount of new investments in the relevant industries and increased production in the overall industry which may cause supply to exceed demand and lead to a period of lower prices. This cycle of rising and falling demand may repeat itself. Any of these cyclical factors may adversely impact our business, financial condition and results of operations and prospects.

We are striving to expand our sales into the international market. The overall global economic slowdown and financial crisis may result in reduced funding for public infrastructures including railway infrastructures and a decreased demand for our rail transportation control system products and services in the international market. Moreover, the slowdown of the global market and economic conditions may negatively impact the ability of our international customers to obtain financing, which may lead to their unwillingness to purchase our products. Therefore, the general demand for our products and their selling price could decline. Any adverse changes in the global market and economic conditions and any slowdown or recession of the global economy could have a material adverse effect on our business, financial condition, results of operations and prospects.

The rail transportation industry in the PRC is continuously evolving and has uncertainties, and any negative development in the PRC rail transportation industry may have an adverse effect on our business operations.

The rail transportation industry in the PRC has been continuously evolving in recent years, and may continue to evolve in the future. This evolution is driven by a number of factors such as the reforms initiated by the PRC government, the restructuring and integration of enterprises in rail transportation industry, the urbanization trend in the PRC and the macroeconomic policies and conditions in the PRC and other countries. In particular, the PRC government's administration of the PRC railway industry is still in a transition period following the division of the former MOR into NRA and CRC to separate the regulatory functions of the government authorities from the management of operating enterprises in this industry, and the PRC government may still exert significant influence on the development of this industry by implementing industry policies and other economic measures. Recently, two major rail transportation train manufacturing companies in China merged under the lead of the PRC government. Further restructuring and integration in the rail transportation industry, if directed by the PRC government, may affect our customers, suppliers and business partners, or even ourselves if we were to experience any material corporate restructuring or reorganization. Such ongoing or future industry-wide restructuring may cause uncertainties with respect to our competitive landscape, customers' demand of our products and services and business strategy, and our operating results may be affected if any of such factors change adversely. In addition, in recent years, there have been a number of publicized cases involving corruption or other misconduct of senior government officials in the PRC railway industry. This negative publicity may lead to a slowdown of the overall development and harm the reputation of the PRC railway industry, and in turn reduce the demand of our products and services. Although we have internal measures to detect and prevent these activities, we cannot assure you that there will be no future negative publicity in the PRC railway industry nor any employee misconduct, whether involving past acts that have not been detected or future acts, which may have a material adverse impact on our business, results of operations and financial condition.

Increased competition from foreign and PRC domestic competitors within the PRC rail transportation control system industry could negatively impact our market share in the industry.

We are currently one of the major providers of rail transportation control system products and services in the PRC. Due to the limited number of domestic customers, if major international competitors increase their investments in the PRC market or collaborate with our existing competitors, or other enterprises in the railway industry expand into upstream or downstream businesses in order to enter the rail transportation control system market, we may face even more intense competition. We cannot assure you that we can maintain our leading position in the PRC rail transportation control system industry. In addition, we may not be able to compete successfully with existing industry leaders in new business areas into which we intend to expand. This may in turn affect our business, operating results and financial condition.

We may be adversely affected by competition from other modes of transportation in the PRC.

The five main transportation modes for passenger and freight transportation in the PRC are aviation, railway, road, waterway and pipeline. In the PRC, passengers mainly rely on railway and road networks to travel; freight is transported mostly on railway, road and waterway networks; and liquids and gases are usually delivered through pipelines. In the event that changes occur to passenger and freight transportation traffic patterns and lead to reduced overall volumes on rail transportation, our business, financial condition and results of operations could be adversely affected. In addition, the demand for our rail transportation control system products may be reduced if there are unexpected events, such as terrorist attacks and environmental and other safety concerns, which would result in the decreased use of railway or urban transit systems.

RISKS RELATING TO THE PRC

Economic, political and social conditions in the PRC, as well as government policies, could affect our business, financial condition, results of operations and prospects.

Substantially all of our business and operations are located in the PRC. As a result, our business, financial condition, results of operations and prospects are affected by the economic, political and legal developments in the PRC. In particular, the PRC government continues to exercise significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatments to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in reforming the economy. These economic reform measures may be adjusted or modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, some of these measures may benefit the overall economy of the PRC, but may have an adverse effect on us.

The PRC has been one of the world's fastest growing economies as measured by GDP in recent years. However, the PRC may not be able to sustain such a growth rate. In an effort to continue the growth of the Chinese economy, the PRC government has implemented and may continue to implement various monetary and other economic measures to expand investments in infrastructure projects, increase liquidity in the credit markets and encourage employment. However, there is no assurance that such monetary and economic measures will succeed. If the Chinese economy experiences a slowdown or even a recession, we may experience a delay or reduction in, or cancellation of, projects available to us and demand for the services and products we provide in our various business segments may grow at a lower-than-expected rate or otherwise decrease. Furthermore, we cannot assure you that we are able to make timely adjustments to our business and operational strategies so as to capture and benefit from the potential business opportunities presented to us as a result of the changes in the economic and other policies of the PRC government. Also, the PRC Government will continue to make adjustments to its economic policy objectives and measures in the future, which may include or result in a significant reduction in its budget for investments in infrastructure and other projects. This could have an adverse effect on our business and operations. Moreover, unfavorable financing and other economic conditions for the industries that we serve could negatively impact our customers and their ability or willingness to fund capital expenditures in the future or pay for past services.

The PRC legal system is still evolving. There exist uncertainties as to the interpretation and enforcement of PRC laws, and PRC laws are different from those of common law countries.

We are incorporated under the laws of the PRC and most of our activities are conducted in the PRC, hence our business operations are regulated primarily by PRC laws and regulations. PRC laws and regulations are based on written statutes, and past court judgments may be cited only for reference. Since 1979, the PRC government has been committed to developing and refining its legal system and has achieved significant progress in the development of its laws and regulations governing economic matters, such as in foreign investment, company organization and management, business, tax and trade. However, as these laws and regulations are still evolving, and because of the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and enforcement.

In addition, the PRC Company Law is different in certain important respects from company laws in common law countries or territories such as Hong Kong and the United States, particularly with regard to investor protection, including areas such as derivative actions by shareholders and other measures protecting non-controlling shareholders, restrictions on directors, disclosure obligations, variations of class rights, procedures at general meetings and payments of dividends. Protection for investors under the PRC Company Law is increased, to a certain extent, by the introduction of the Mandatory Provisions and certain additional requirements that are imposed by the Hong Kong Listing Rules with a view to reducing the scope of differences between the company laws of Hong Kong and the PRC. The Mandatory Provisions and those additional requirements must be included in the articles of association of all PRC companies applying to be listed in Hong Kong. The Articles of Association

have incorporated the provisions in the Mandatory Provisions and the Hong Kong Listing Rules. Despite the incorporation of those provisions, there is no assurance that you will enjoy an equal level of protection that you may be entitled to when investing in companies incorporated in common-law jurisdictions.

Government control over the conversion of foreign exchange may affect our results of operations and financial condition, value of the investment in shares and our ability to pay dividends.

RMB is not currently a freely convertible currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. As our operations are primarily conducted in the PRC and substantially all of our revenue is denominated in RMB, fluctuations in RMB exchange rate against other currencies did not have a material impact on our results of operations during the Track Record Period. However, as we try to expand our international customer base, our overseas income and expenditures may increase, so we anticipate our exposure to fluctuations in foreign exchange might increase. Pursuant to existing foreign exchange regulations in the PRC, we are allowed to carry out current account foreign exchange transactions (including dividend payment) without submitting the certifying documents of such transactions to the SAFE for approval in advance as long as they are processed by banks designated for foreign exchange trading. However, foreign exchange transactions for capital account purposes may require the prior approval or registration with the SAFE. If we fail to obtain the SAFE's approval to convert RMB into foreign currencies for such purposes, our capital expenditure plans, business operations and subsequently our results of operations and financial condition could be materially and adversely affected.

We face foreign exchange and conversion risks, and fluctuation in the value of RMB may have a material adverse effect on our business and your investment.

The exchange rate between RMB and U.S. dollar and other currencies may fluctuate from time to time and be affected by, among other things, changes in the PRC political and economic environment. Presently, RMB is no longer only pegged to U.S. dollar, but is subject to a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. We cannot predict how RMB will fluctuate in the future. We face foreign exchange and conversion risks in connection with settlement or purchase of foreign exchange financial products with currencies other than RMB sometimes. If the exchange rate of RMB against other related foreign currencies were to appreciate, our service prices for overseas market may increase, and the competitiveness of our products in comparison with products manufactured in other countries may decrease. On the other hand, if the exchange rate of RMB against other related currencies were to depreciate, the price of our imported parts and components and raw materials when converted into RMB would increase, which may have a material adverse effect on us. As our overseas operations expand, we may become more sensitive to foreign exchange fluctuations in the future. Moreover, we will need to convert the proceeds denominated in foreign currencies from the Global Offering into RMB. The fluctuation in the exchange rate between RMB and Hong Kong dollar and other currencies may have a material adverse effect on our business, results of operations and financial condition, and thus your investment.

It may be difficult to enforce judgments rendered by courts other than PRC courts against us or the Directors, Supervisors or senior management residing in the PRC.

Except for one independent non-executive director, all of our Directors, Supervisors and senior management members reside within the PRC, and substantially all of our assets and the assets of our Directors, Supervisors and senior management members are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. As such, it may not be possible for investors to serve summons upon us or those persons in the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. In addition, recognition and enforcement in the PRC of judgments of a court of any other jurisdiction in relation to any matter not subject to a binding arbitration provision may not be possible.

The Articles of Association and the Hong Kong Listing Rules provide that disputes or claims for rights between holders of the H Shares and us, our Directors, Supervisors or senior management, arising out of the rights and obligations provided in the Articles of Association, the PRC Company Law and the related laws and regulations and in relation to affairs of our Company, are to be resolved through arbitration in Hong Kong or the PRC, rather than by a court of law, except for disputes associated with the definition of shareholders or register of shareholders. Under the current arrangements for reciprocal enforcement of arbitral awards between the PRC and Hong Kong, awards made by PRC arbitral authorities, which are recognized under the Arbitration Ordinance of Hong Kong, can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in the PRC.

Foreign individual holders of our H Shares may become subject to PRC income tax and the PRC tax obligations of foreign enterprises that are holders of our H Shares remain uncertain.

Under current PRC tax laws, regulations and rules, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us or the gains realized upon the sale or other disposition of H Shares. In general, non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate under China's Individual Income Tax Law. We are required to withhold such tax from dividend payments, unless applicable tax treaties between the PRC and the jurisdictions in which the foreign individuals reside reduce or provide an exemption for the relevant tax obligations. Meanwhile, in accordance with the applicable PRC tax laws and regulations, for companies issuing H shares, a tax rate of 10% shall generally apply to the dividends paid to foreign individuals. When the 10% tax rate does not apply due to the application of tax treaties between the PRC and the country of citizenship of such foreign individual, we shall (i) return the excessive tax amount if the tax rate provided under the applicable tax treaty is lower than 10%, (ii) withhold such foreign individual income tax at the tax rate provided under the applicable tax treaty if such tax rate is between 10% and 20%, or (iii) withhold such foreign individual income tax at the rate of 20% under all other circumstances.

For non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises, under the PRC EIT Law, dividends paid by us and the gains realized by such foreign enterprises upon the sale or other disposition of H Shares are ordinarily subject to PRC enterprise income tax at a 20% rate. In accordance with the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprise to Shareholders which are Overseas Nonresident Enterprises issued by the State Administration of Taxation, such tax rate has been reduced to 10%, subject to a further reduction under a special arrangement or applicable treaty between the PRC and the jurisdiction of the residence of the relevant non-PRC resident enterprise.

There remains uncertainty as to the interpretation and application of the EIT Law and its implementation rules by the PRC tax authorities, including the taxation of capital gains by non-PRC resident enterprises, individual income tax on dividends to non-PRC resident individual holders of H Shares and on gains realized on the sale or other disposition of H Shares. The PRC tax laws, rules and regulations may also change. If there is any change to applicable tax laws and interpretation or application with respect to such laws, the value of your investment in our H Shares may be materially affected.

Payment of dividends is subject to restrictions under PRC laws.

Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

RISKS RELATING TO THE GLOBAL OFFERING

The conversion of our Domestic Shares to H Shares and transfer to NSSF could have a material and adverse effect on the prevailing market price of our H Shares and our ability to raise capital in the future.

Conversion of a substantial number of our Domestic Shares to H Shares, or market anticipation that such conversion may occur, could materially and adversely affect the price of our H Shares. Assuming the Over-allotment Option is not exercised, 175,000,000 Domestic Shares will be converted into H Shares and transferred to the NSSF in connection with the Global Offering. The NSSF has not entered into any lock up agreement with us or the Underwriters and would be free to sell the H Shares any time after the Global Offering. This may materially and adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a time and at a price favorable to us.

As the Offer Price of our H Shares is higher than the net tangible asset value per share, you will experience immediate dilution.

The Offer Price of our H Shares is higher than the net tangible asset value per share of the outstanding Shares issued to our existing Shareholders. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution in the net tangible asset value to HK$2.56 per Share (assuming an Offer Price of HK$7.15 per H Share, being the mid-point of our indicative Offer Price range, and assuming no exercise of the Over-allotment Option), and the pro forma adjusted consolidated net tangible asset value per share of the Shares held by our existing Shareholders will increase. If, in order to expand our business in the future, we issue additional H Shares at a price below the net tangible asset value per share, the net tangible asset value per share of our H Shares held by the buyers of our H Shares may be diluted.

The sales or potential sales of substantial amounts of our H Shares in the public market (including any future offering) may affect the prevailing market price of our H Shares and our ability to raise capital in the future, and future additional issuance of securities may dilute your shareholdings.

The sales of substantial amounts of our H Shares or other securities related to our H Shares in the public market, or the issuance of new H Shares or other securities, or the market anticipation that such sales or issuance may occur, may cause fluctuations in the market price of our H Shares, and may materially and adversely affect our ability to raise capital at a time and at a price as we see fit in the future. Furthermore, if we issue additional securities in future offerings, the shareholdings of the Shareholders may be diluted.

There will be a time gap of several business days between pricing and trading of our H Shares offered under the Global Offering.

The Offer Price of our H Shares sold to the public under the Global Offering will be determined on the Price Determination Date. However, trading of our H Shares on the Hong Kong Stock Exchange will not commence until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors of our H shares may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, holders of our H Shares may be subject to the risk that our H Share trading price could fall before trading begins as a result of adverse market conditions or other unfavorable circumstances that may arise during the period between the Price Determination Date and the date on which the dealing begins.

There has been no prior public market for our H Shares, and the liquidity, market price and trading volume of the H Shares may be volatile.

Prior to the Global Offering, there has been no public market for our H Shares. The initial Offer Price range for our H Shares was the result of negotiations among us and the Joint Global Coordinators, and such Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied to the Hong Kong Stock Exchange for the listing of, and the permission to deal in, our H Shares. However, there is no assurance that the Global Offering will result in the development of an active and liquid public trading market for our H Shares. The market price, liquidity and trading volume of our H Shares may be volatile. Factors such as the following may affect the volume and price at which our H Shares will trade:

- actual or anticipated fluctuations in our revenue and results of operations;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of additional H Shares by us or other Shareholders.

In addition, H shares of other PRC issuers listed on the Hong Kong Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

There can be no assurance if and when we will pay dividends in the future. Dividends declared in the past may not be indicative of our dividend policy in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be formulated by our Board of Directors at their discretion and will be subject to our Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association, the PRC Company Law and any other applicable PRC law and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors determined by our Board of Directors from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "Financial Information — Dividend and Dividend Policy" for more details of our dividend policy. In addition, dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form dividends will be paid in the future.

We cannot guarantee the accuracy of official government facts, forecasts and other statistics with respect to the PRC, the Chinese economy and PRC rail transportation control system industry contained in this prospectus.

Official government facts, forecasts and other statistics in this prospectus relating to the PRC, the Chinese economy and PRC rail transportation control system industry have been derived from official government publications. We believe that the sources of such information are appropriate sources, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Financial Advisor, the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such official government facts, forecasts or statistics.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our industries and the Global Offering.

There has been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and/or media regarding us, our business, our industries and the Global Offering. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding our H Shares. None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters or any other person involved in the Global Offering have authorized the disclosure of any such information in the press or media and none of these parties accept any responsibility for the accuracy or completeness of the information contained in such press articles and/or other media or the fairness or appropriateness of any forecasts, views or opinions expressed by the press and/or other media regarding our H Shares, the Global Offering, our business, our industries or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

APPROVAL OF THE CSRC

The CSRC has given its approval for the Global Offering and the making of the application to list the H Shares on the Hong Kong Stock Exchange on July 13, 2015. In granting such approval, the CSRC accepts no responsibility for the financial soundness of the Company, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The listing of the H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Global Offering is managed by the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters on a conditional basis. The International Underwriting Agreement is expected to be entered into on or about July 31, 2015, subject to agreement on the Offer Price among us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters). If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

CERTAIN MATTERS RELATING TO THE HONG KONG PUBLIC OFFERING

Restrictions on Offer and Sale of the Offer Shares

Each person acquiring the Hong Kong Public Offer Shares will be required to, or be deemed by his/her/its acquisition of the Hong Kong Public Offer Shares to, confirm that he/she/it is aware of the restrictions on offers of the Hong Kong Public Offer Shares described in this prospectus and the related Application Forms.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus and the related Application Forms, and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Financial Advisor, the Joint Bookrunners, the Underwriters, any of our or their respective directors, senior managers or representatives, or any other persons or parties involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for the Hong Kong Public Offer Shares, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" in this prospectus and the relevant Application Forms.

Application for Listing on the Hong Kong Stock Exchange

We have applied to the Listing Committee for the listing of, and permission to deal in (i) the H Shares to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option); and (ii) the H Shares which will be converted from Domestic Shares which are to be held by the NSSF pursuant to the relevant PRC regulations relating to the disposal of state-owned shares. Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on August 7, 2015.

Save as disclosed in this prospectus, no part of our share capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

H Share Register and Stamp Duty

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register to be maintained in Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered on the H Share register will be subject to Hong Kong stamp duty. See "Appendix III — Tax and Foreign Exchange" in this prospectus for further details.

Professional Tax Advice Recommended

Applicants for the Hong Kong Public Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in H Shares. It is emphasized that none of us, the Joint Sponsors, the Joint Global Coordinators, Financial advisor the Joint Bookrunners, the Joint Lead Managers, the Underwriters and our or their respective directors, officers, employees, advisers, agents or representatives, nor any other person involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposing of, or dealing in the H Shares or exercising any rights attached to them.

Registration of Subscription, Purchase and Transfer of H Shares

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Company Law, the Special Regulations, and the Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and senior officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and senior officers, agree with each of our Shareholders to refer all disputes and claims concerning the Company's business on the basis of the rights or obligations provided in the Company Law or other relevant laws and administrative regulations to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive. See "Appendix V — Summary of the Articles of Association" in this prospectus for further details;

(iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders, unless otherwise provided in the prospectus; and

(iv) authorizes us to enter into a contract on his behalf with each of our Directors and senior officers whereby such Directors and senior officers undertake to observe and comply with their obligations to our Shareholders as stipulated in the Articles of Association.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the sections headed "Structure of the Global Offering—Over-allotment Option" and "Structure of the Global Offering—Stabilization" in this prospectus, respectively.

PROCEDURE FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The procedure for applying for the Hong Kong Public Offer Shares is set forth in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus and in the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering" in this prospectus.

H SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the H Shares and the Company complying with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, Renminbi amounts into US dollars and Hong Kong dollars into US dollars at specified rates. You should not construe these translations as representations that the Renminbi amounts could actually be converted into any Hong Kong dollar or US dollar amounts, or the Hong Kong dollar amounts could actually be converted into any US dollar amounts (as the case may be) at the rates indicated or at all. Unless we indicate otherwise, the translations of Hong Kong dollars into Renminbi and US dollars into Renminbi have been made at the rates of RMB0.78960 to HK$1.00 and RMB6.1197 into US$1.00, respectively, being the PBOC rates prevailing on the Latest Practicable Date for foreign exchange transactions. Further information on exchange rates is set forth in "Appendix III — Tax and Foreign Exchange" in this prospectus.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of the PRC nationals, entities (including certain of our subsidiaries), departments, facilities, certificates, titles, laws, regulations and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name shall prevail.

ROUNDING

In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions or hundred millions, certain amounts of less than one hundred, one thousand, ten thousand, one million or a hundred million, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million or hundred million, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth or hundredth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

In preparation for the Global Offering, we have applied to the Stock Exchange for the following waivers from strict compliance with the relevant provisions of the Hong Kong Listing Rules:

MANAGEMENT PRESENCES

Pursuant to Rules 8.12 and 19A.15 of the Hong Kong Listing Rules, our Company must have sufficient management presences in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily residents in Hong Kong. As of the Latest Practicable Date, our Company has three executive Directors all of whom currently reside in the PRC. Our headquarters and business operations are principally located, managed and conducted in the PRC. As the executive Directors play very important roles in our Company's business operations, it would be more efficient and in our best interests for them to be based in the places where our Group has significant operations. Relocation of the executive Directors to Hong Kong will be unduly burdensome for the Company. In addition, it is not in our or our shareholders' interests to appoint additional executive Directors who are ordinarily residents in Hong Kong for the sole purpose of satisfying the management presences requirements. Therefore, our Company currently does not, and in the foreseeable future will not, have executive Directors who are ordinarily residents in Hong Kong. Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Hong Kong Listing Rules, subject to the following conditions to maintain regular and effective communication between the Stock Exchange and us:

- we have appointed Mr. Zhou Zhiliang (周志亮), the chairman and an executive Director of our Company, and Ms. Ng Wing Shan (吳詠珊), one of our joint company secretaries, as our authorized representatives and they will serve as our Company's principal channel of communication with the Hong Kong Stock Exchange. Ms. Ng Wing Shan ordinarily resides in Hong Kong. Although Mr. Zhou Zhiliang resides in the PRC, he has valid travel documents and can apply for a visa to visit Hong Kong within a reasonably short period of time. Each of them will be readily contactable by the Hong Kong Stock Exchange through mobiles, telephones, facsimiles or emails and will be readily available to meet with the Hong Kong Stock Exchange in Hong Kong within a reasonable period of time upon request;

- we have provided to the authorized representatives of our Company and the Hong Kong Stock Exchange with the contact details of each Director, including mobile phone numbers, office phone numbers, email addresses and fax numbers. Both of our authorized representatives have means to contact all of the Directors (including the independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the Directors for any reason;

- each of the Directors who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents and visas to visit Hong Kong to meet with the Hong Kong Stock Exchange within a reasonable period of time when requested by the Hong Kong Stock Exchange;

- we have appointed Haitong International Capital Limited as our compliance advisor. The compliance adviser has means to contact our authorized representatives, Directors and senior management promptly at all times. The compliance adviser will serve as an additional channel of communication of our Company with the Hong Kong Stock Exchange from the Listing Date to the date when our Company distributes our annual report to our Shareholders for the first full financial year immediately after the Listing;

- our Company will appoint a legal adviser as to the laws of Hong Kong after the Listing to provide advice to us on our continuing compliance with the Hong Kong Listing Rules and other applicable laws and regulations in Hong Kong, or any modification, supplement and other matters; and

- our Company will appoint at least one non-executive independent Director who ordinarily resides in Hong Kong. The non-executive independent Director, who ordinarily resides in Hong Kong, is able to contact all other Directors, who are not ordinarily resident in Hong Kong, by mobiles, telephones, facsimiles or emails at any time.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Hong Kong Listing Rules, our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Hong Kong Listing Rules. According to Rule 3.28 of the Hong Kong Listing Rules, we must appoint an individual as our company secretary who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Hong Kong Listing Rules sets forth the following academic and professional qualifications considered to be acceptable by the Hong Kong Stock Exchange:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the laws of Hong Kong)); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the laws of Hong Kong)).

Note 2 to Rule 3.28 of the Hong Kong Listing Rules sets forth the following factors that the Hong Kong Stock Exchange considers when assessing an individual's "relevant experience":

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Hong Kong Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Codes on Takeovers and Mergers and Share Buy-backs;

(c) relevant training taken and/or to be taken in addition to the 15 hours minimum requirement under Rule 3.29 of the Hong Kong Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Hu Shaofeng (胡少峰) and Ms. Ng Wing Shan (吳詠珊) (member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom) as our joint company secretaries. They will jointly discharge the duties and responsibilities as our company secretaries. For detailed information about Mr. Hu Shaofeng and Ms. Ng Wing Shan, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus.

As Mr. Hu Shaofeng does not possess the specified qualifications required by Rule 3.28 of the Hong Kong Listing Rules, and may not possess the relevant experience as required by the Hong Kong Stock Exchange, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 3.28 and 8.17 of the Hong Kong Listing Rules.

Although Mr. Hu Shaofeng does not possess the specified qualifications required by Rule 3.28 of the Hong Kong Listing Rules, our Company believes that considering Mr. Hu Shaofeng's past experience in accounting, finance, operation, management and the work of a secretary to our Board of Directors, he is able to perform the duties as a company secretary of our Company. In addition, Mr. Hu Shaofeng has a thorough understanding of the operations of our internal business and finance. Therefore, we believe that the appointment of Mr. Hu Shaofeng as a joint company secretary is in our and our Shareholders' best interests and beneficial to our corporate governance. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting with the listed issuer as well as its directors in complying with the Hong Kong Listing Rules and other relevant laws and regulations, we have made the following arrangements for the waiver:

- Mr. Hu Shaofeng will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Hong Kong Listing Rules organized by our Company's legal adviser as to the laws of Hong Kong on an invitation basis, and seminars organized by the Hong Kong Stock Exchange for PRC issuers from time to time, in addition to the 15 hours minimum requirement under Rule 3.29 of the Hong Kong Listing Rules;

- we have appointed Ms. Ng Wing Shan, who meets the requirements under Rule 3.28 of the Hong Kong Listing Rules, as a joint company secretary to work closely with and to provide assistance to Mr. Hu Shaofeng in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Hu Shaofeng to acquire the relevant experience (as required under Rule 3.28 of the Hong Kong Listing Rules) to discharge the duties and responsibilities as a company secretary;

- Mr. Hu Shaofeng will also be assisted by our compliance adviser and legal adviser as to the laws of Hong Kong on matters in relation to our Company's continuing compliance obligations under the Hong Kong Listing Rules and the applicable laws and regulations.

Upon expiry of the initial three-year period, the qualifications of Mr. Hu Shaofeng will be re-evaluated to determine whether the requirements as stipulated in Rule 3.28 of the Hong Kong Listing Rules can be satisfied and to decide whether further assistance by Ms. Ng Wing Shan to Mr. Hu Shaofeng would be necessary. In the event that Mr. Hu Shaofeng has obtained relevant experience under Rule 3.28 of the Hong Kong Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary for our Company.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions and expect to continue such transactions after the Listing, which would constitute non-exempt continuing connected transactions under the Hong Kong Listing Rules after the Listing. Pursuant to Chapter 14A of the Hong Kong Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the rules regarding the announcement requirement under Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. Further details of such non-exempt continuing connected transactions and the waiver, please refer to the section headed "Connected Transactions" in this prospectus.

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) of the Hong Kong Listing Rules requires that there shall be an open market for the securities for which listing is sought, and that a sufficient public float of an issuer's listed securities shall be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public. Pursuant to Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK$10 billion.

Based on the minimum Offer Price HK$6.30 and assuming no exercise of the Over-allotment Option, we expected that our market capitalization will be not less than approximately HK$55.1 billion. We have applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Hong Kong Listing Rules, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Hong Kong Listing Rules. Therefore, the public float of our Company may fall below 25% of the issued share capital of the Company.

In order to support the application of this waiver, our Company has confirmed to the Hong Kong Stock Exchange that:

(a) the minimum public float shall be the highest of (1) 16.5% of the total issued share capital of the Company; (2) such percentage of H Shares to be held by the public immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised); and (3) such percentage of H Shares to be held by the public immediately after the completion of the Global Offering (as increased by the H Shares to be issued upon any exercise of the Over-allotment Option), subject to a maximum percentage of 25% pursuant to Rule 8.08(1)(a) of the Listing Rules;

(b) the Company will have an expected market capitalization at the time of Listing of over HK$10 billion;

(c) the quantity and scale of the issued securities would enable the market to operate properly with a lower percentage of public float;

(d) our Company will make appropriate disclosure of the lower percentage of public float required by the Hong Kong Stock Exchange in the prospectus; and

(e) our Company will confirm sufficiency of public float in the successive annual reports of the Company after the Listing.

WAIVER FROM STRICT COMPLIANCE WITH RULES 4.04(2) AND 4.04(4) OF THE HONG KONG LISTING RULES

Pursuant to Rules 4.04(2) and 4.04(4) of the Hong Kong Listing Rules, the issuer shall include in its accountants' report the results and balance sheet of any subsidiaries and/or business acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

Our Company proposes to acquire 65% of the enlarged share capital in Zhengzhou Zhongyuan by way of capital increase (the "Proposed Acquisition"). For details about the Proposed Acquisition, please refer to the sections headed "Financial Information — Proposed Acquisition" and "Our History and Development — Proposed Acquisition" in this prospectus.

Based on the following reasons and arrangements, our Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Hong Kong Listing Rules:

- The Proposed Acquisition was entered into in our ordinary and usual course of business as this is part of the Company's business plan of further expanding its electric power and electrification business;

- The Proposed Acquisition is insignificant to our Company. As relevant size tests regarding assets, profits and revenue calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules are all less than 5% (the asset ratio is approximately 2.57%, the profit ratio is approximately 0.18% and the revenue ratio is approximately 4.39% for the year of 2014), the Proposed Acquisition will not be subject to the discloseable transaction requirement under Chapter 14 of the Listing Rules; and pursuant to Rule 4.28 of the Hong Kong Listing Rules, the Proposed Acquisition was immaterial and we are not required to prepare relevant pro-forma accounts. Besides, our Company is one of the largest rail transportation control system solution providers in the world with a comprehensive portfolio of rail transportation control system products and services, and the Proposed Acquisition is only part of its expansion plan in connection with its electric power and electrification business; our Company considers Zhengzhou Zhongyuan as a suitable acquisition target for its electric power and electrification business, however, our Company does not expect a significant increase in Zhengzhou Zhongyuan's revenue growth rate in the foreseeable future;

- As of the Latest Practicable Date, the Company has neither made the capital contribution nor acquired control over Zhengzhou Zhongyuan. The Company is still undergoing the relevant procedures to prepare for completion of the Proposed Acquisition, including, among others, replacements of the senior management team of Zhengzhou Zhongyuan. Therefore, our Company is neither able to exercise any control nor has any significant influence over Zhengzhou Zhongyuan. Our Company and our Reporting Accountants, Ernst & Young ("E&Y"), have been trying to approach Zhengzhou Zhongyuan in connection with the relevant audit work required for satisfying the requirements under Rules 4.04(2) and 4.04(4) of the Hong Kong Listing Rules, however, the Company and E&Y were not able to obtain the relevant financial information and supporting materials which are necessary for preparation of the required accountant's report with respect to Zhengzhou Zhongyuan;

- Due to the tight timeframe between the target completion date of the Proposed Acquisition and the Listing Date, it would be impracticable and unduly burdensome for the Company to disclose the financial information of Zhengzhou Zhongyuan for the three years ended December 31, 2014, immediately preceding the issue of this prospectus; and

- Our Company has provided in this prospectus alternative information regarding the Proposed Acquisition and Zhengzhou Zhongyuan, with a view to making up for the non-inclusion of Zhengzhou Zhongyuan's audited results and balance sheets and allowing the potential investors to understand Zhengzhou Zhongyuan in greater detail and the impact of the Proposed Acquisition on our Group: (a) name, registration date and the shareholders of Zhengzhou Zhongyuan; (b) the Company's reason for the Proposed Acquisition and a brief summary of the background of such acquisition and the basis upon which the consideration was determined; (c) a brief description of Zhengzhou Zhongyuan's principal businesses; (d) audit results of Zhengzhou Zhongyuan's total assets, revenue and net profit extracted from its audited financial statements prepared in accordance with China Enterprise Accounting Policies, Rail Transportation Enterprise Accounting Methods and related accounting standards for the three years ended December 31, 2014, respectively; (e) the benefits which are expected to accrue to the Company as a result of the transaction and a statement that the Directors believe that the terms of the transaction are fair and reasonable and in the interests of the Shareholders as a whole; and (f) any other information required for a discloseable transaction under Chapter 14 of the Listing Rules.

CLAWBACK MECHANISM

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Public Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, provided the initial allocation of H Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of over-subscription, the Joint Global Coordinators, after consultation with us, shall apply a clawback mechanism following the closing of the application lists on the following basis:

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 131,250,000 H Shares, representing approximately 7.5% of the Offer Shares initially available under the Global Offering;

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 175,000,000 H Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering; and

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 350,000,000 H Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Please also see "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" of this prospectus.

SUBSCRIPTION OF H SHARES BY CORE CONNECTED PERSON

Rule 9.09(b) of the Hong Kong Listing Rules provides that there must be no dealing in the securities for which listing is sought by any core connected person of the issuer from four clear business days before the expected hearing date until listing is granted.

As of the Latest Practicable Date, ALSTOM IC holds 49% of the equity interest in CRSC CASCO, one of our non-wholly owned subsidiaries, and is the substantial shareholder of CRSC CASCO. After completion of the Global Offering, ALSTOM IC will continue to hold 49% of the equity interest in CRSC CASCO and to be the substantial shareholder of CRSC CASCO. ALSTOM Holdings is the holding company of ALSTOM IC and it is expected that ALSTOM Holdings will continue to be the holding company of ALSTOM IC upon completion of the Global Offering. Pursuant

to Rules 14A.07(1), 14A.07(4) and 14A.13(1) of the Hong Kong Listing Rules, ALSTOM Holdings and its close associates will be core connected persons of the Company upon completion of the Global Offering. Pursuant to Rule 8.24 of the Hong Kong Listing Rules, the H Shares held by ALSTOM Holdings will not be deemed as part of the public float.

For the purpose of further strengthening a long-term strategic cooperation, ALSTOM Holdings is contemplating to participate in the Global Offering and invest in the Company through itself or its close associates (the "**Contemplated ALSTOM Investment**"), such contemplated investment being welcomed by the Company. For the Contemplated ALSTOM Investment, our Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 9.09(b) of the Listing Rules in connection with the Contemplated ALSTOM Investment by ALSTOM Holdings or its associates as a placee in the placing tranche. The reasons for the waiver are that, among other things, the Contemplated ALSTOM Investment will not harm the interests of potential investors and there will be no change of ultimate beneficial owner of our Company. The waiver from Hong Kong Stock Exchange is granted under the conditions set forth below:

(i) the Contemplated ALSTOM Investment will be made at the Offer Price;

(ii) the Company will disclose details of the Contemplated ALSTOM Investment in the Company's allotment results announcement;

(iii) no preferential treatment will be given to ALSTOM Holdings or its close associates in the Company's booking building and H Shares allocation processes under the International Offering;

(iv) neither ALSTOM Holdings nor its associates have any access to material non-public information in relation to the Global Offering, nor they have any right to appoint Directors; and

(v) the Company will comply with the minimum public float requirements under the Listing Rules or according to the waiver from strict compliance with the relevant requirements granted by the Hong Kong Stock Exchange.

The Company, the Joint Sponsors and the Joint Bookrunners confirm that ALSTOM Holdings and its close associates cannot exert any influence on and will not be treated preferentially during the Company's booking building and H Shares allocation processes.

SUBSCRIPTION OF H SHARES BY CLOSE ASSOCIATES OF EXISTING SHAREHOLDERS

Rules 10.04, 10.03(1) and 10.03(2) of the Listing Rules provide that a person who is an existing shareholder of the issuer may only subscribe for or purchase securities for which listing is sought

which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the following conditions are fulfilled: (i) no securities are to be offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved. Paragraph 5(2) of Appendix 6 to the Listing Rules provides, among other matters, that unless with the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

China Reform Technology Innovation Equity Investment Fund (Limited Partnership) (國新科創股權投資基金(有限合夥)) (the "**CRHC Fund**") and Sinomach Finance Co., Ltd. (國機財務有限責任公司) (the "**SINOMACH Finance**") intends to subscribe for H Shares of the Company as placees in the International Offering.

As of the Latest Practicable Date, 40% of the equity interests in CRHC Fund's limited partnership and general partnership is owned by CRHC, an existing shareholder of the Company which owns approximately 0.93% of the equity interests of the Company, but CRHC Fund only holds one out of the total five voting rights at the investment committee of its general partnership. SINOMACH Finance is a subsidiary of SINOMACH, an existing shareholder of the Company which owns approximately 0.93% of the equity interests of the Company.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, its consent under Rule 10.04 of and Paragraph 5(2) of Appendix 6 to the Listing Rules to permit CRHC Fund and SINOMACH Finance to subscribe for H Shares as placees in the International Offering, subject to the following conditions:

- none of CRHC, CRHC Fund, SINOMACH or SINOMACH Finance will influence over the fair allocation of the H Shares in the Global Offering or have any board presentation in the Company;

- no preferential treatment will be given to CRHC, CRHC Fund, SINOMACH and SINOMACH Finance in the allocation process if they subscribe for H Shares as placees in the placing tranche of the Global Offering;

- neither CRHC, CRHC Fund, SINOMACH nor SINOMACH Finance will have any access to material non-public information in relation to the Global Offering;

- CRHC Fund and SINOMACH Finance are not, and will not become core connected persons of the Company upon completion of the Global Offering;

- the Company will comply with the minimum public float requirement of 16.5% (or a higher percentage following the exercise of the Over-allotment Option) upon completion of the Global Offering;

- information on the amount of H Shares allocated to CRHC Fund and SINOMACH Finance will be fully disclosed in the allotment results announcement of the Company and the placee lists to be submitted to the Hong Kong Stock Exchange before the Listing.

The Company, the Joint Sponsors and the Joint Bookrunners confirm that none of the CRHC, CRHC Fund, SINOMACH and SINOMACH Finance and their close associates can exert any influence on nor will be treated preferentially during the Company's booking building and H Shares allocation process if they subscribe for H Shares as placees in the placing tranche of the Global Offering.

DIRECTORS

Name	Address	Nationality
Executive Directors		
ZHOU Zhiliang (周志亮)	40 Fuxing Road Haidian District Beijing, PRC	Chinese
LI Yanqing (李燕青)	Room 3-301, Building 7 Taiping Li, Guang'an Menwai Xicheng District Beijing, PRC	Chinese
YIN Gang (尹剛)	Room 901, Unit 2, Building 2 Yard 9, Beiwa Road Haidian District Beijing, PRC	Chinese
Independent Non-executive Directors		
WANG Jiajie (王嘉傑)	Room 401, Building 32 Xiaonanzhuang Haidian District Beijing, PRC	Chinese
SUN Patrick (辛定華)	Room A1, 3/F Villa Monte Rosa 41A Stubbs Road Hong Kong	Chinese (HK)
CHEN Jin'en (陳津恩)	Room 601, Unit 1, Building 5 Zone 2, Shanghecun Yard Haidian District Beijing, PRC	Chinese
GAO Shutang (高樹堂)	Room 401, Unit 1, Building 6 Meiliyuan Yard Haidian District Beijing, PRC	Chinese

SUPERVISORS

Name	Address	Nationality
TIAN Liyan (田麗豔)	Room 402, Unit 2, Building 2 Debaoxinyuan Yard Xicheng District Beijing, PRC	Chinese
GAO Fan (高帆)	Room 501, Unit 1, Building 18 Yard 9, Yuyuantan South Road Haidian District Beijing, PRC	Chinese
ZHAO Xiumei (趙秀梅)	Room 501, Unit 5, Building 3 Yard 86, North of West 3rd Ring Haidian District Beijing, PRC	Chinese

Further information is set out in the section headed "Directors, Supervisors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Citigroup Global Markets Asia Limited** 50th Floor, Citibank Tower 3 Garden Road, Central Hong Kong **Morgan Stanley Asia Limited** 46th Floor, International Commerce Centre 1 Austin Road West Kowloon Hong Kong **UBS Securities Hong Kong Limited** 42th Floor, One Exchange Square 8 Connaught Place Central Hong Kong
Joint Global Coordinators	**Citigroup Global Markets Asia Limited** 50th Floor, Citibank Tower 3 Garden Road, Central Hong Kong **Morgan Stanley Asia Limited** Level 46, International Commerce Centre 1 Austin Road West, Kowloon Hong Kong **UBS AG Hong Kong Branch** 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong **Macquarie Capital Securities Limited** Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong **BOCI Asia Limited** 26th Floor, Bank of China Tower 1 Garden Road Hong Kong

	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Centre 2 Queen's Road Central Hong Kong
	China Merchants Securities (HK) Co., Limited 48th Floor, One Exchange Square Central Hong Kong
Joint Bookrunners and Joint Lead Managers	**Citigroup Global Markets Asia Limited** (in relation to Hong Kong Public Offering) 50th Floor, Citibank Tower 3 Garden Road, Central Hong Kong
	Citigroup Global Markets Limited (in relation to International Offering) 33 Canada Square Canary Wharf London E14 5LB United Kingdom
	Morgan Stanley Asia Limited (in relation to Hong Kong Public Offering) Level 46, International Commerce Centre 1 Austin Road West, Kowloon Hong Kong
	Morgan Stanley & Co. International plc (in relation to International Offering) 25 Cabot Square Canary Wharf London E14 4QA United Kingdom
	UBS AG Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	Macquarie Capital Securities Limited Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong

	BOCI Asia Limited 26th Floor, Bank of China Tower 1 Garden Road Hong Kong
	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Centre 2 Queen's Road Central Hong Kong
	China Merchants Securities (HK) Co., Limited 48th Floor, One Exchange Square Central Hong Kong
	CMB International Capital Limited Units 1803-4, 18/F, Bank of America Tower 12 Harcourt Road Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Financial Advisor	**Macquarie Capital Securities Limited** 18th Floor, One International Finance Centre 1 Harbor View Street Central Hong Kong
Legal Advisers to our Company	*as to Hong Kong and United States laws:*
	Kirkland & Ellis 26th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
	as to PRC law:
	Beijing DeHeng Law Offices 12th Floor, Tower B Focus Place 19 Finance Street Xicheng District Beijing, PRC

	as to E.U. sanctions law: **Kirkland & Ellis International LLP** 30 St Mary Axe London, EC3A 8AF United Kingdom *as to Australian sanctions law:* **Clayton UTZ** Level 15, 1 Bligh Street Sydney NSW 2000 Australia
Legal Advisers to the Underwriters	*as to Hong Kong and United States laws:* **Clifford Chance** 27th Floor, Jardine House 1 Connaught Place Central Hong Kong *as to PRC law:* **King & Wood Mallesons** 20th Floor, East Tower World Financial Center 1 Dongsanhuan Zhonglu Chaoyang District Beijing, PRC
Reporting Accountants and Independent Auditor	**Ernst & Young** *Certified Public Accountants* 22th Floor, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Industry Consultant	**Frost & Sullivan** 28th Floor, Tower A Dawning Center 500 Hongbaoshi Road Changning District Shanghai, PRC

Compliance Advisor	**Haitong International Capital Limited** 22th Floor, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong
	Wing Lung Bank Limited 45 Des Voeux Road Central Central Hong Kong

Registered Office	B 49 Xisihuan South Road Fengtai District Beijing, PRC
Headquarters and Principal Place of Business in the PRC	B 49 Xisihuan South 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
Company Website	**www.crsc.cn** *(the information contained in the website does not form part of this prospectus)*
Authorized Representatives	**Mr. ZHOU Zhiliang (周志亮)** 40 Fuxing Road Haidian District Beijing, PRC **Ms. NG Wing Shan (吳詠珊)** *(ACIS, ACS)* 18th Floor, Tesbury Centre 28 Queen's Road East Wan Chai Hong Kong
Joint Company Secretaries	**Mr. HU Shaofeng (胡少峰)** B 49 Xisihuan South Road Fengtai District Beijing, PRC **Ms. NG Wing Shan (吳詠珊)** *(ACIS, ACS)* 18th Floor, Tesbury Centre 28 Queen's Road East Wan Chai Hong Kong
Strategy and Investment Committee	**Mr. ZHOU Zhiliang (周志亮)** *(Chairman)* Ms. LI Yanqing (李燕青) Mr. WANG Jiajie (王嘉傑) Mr. CHEN Jin'en (陳津恩) Mr. GAO Shutang (高樹堂)
Remuneration and Evaluation Committee	**Mr. GAO Shutang (高樹堂)** *(Chairman)* Mr. SUN Patrick (辛定華) Mr. CHEN Jin'en (陳津恩)

Audit and Risk Management Committee	**Mr. SUN Patrick (辛定華)** *(Chairman)* Mr. WANG Jiajie (王嘉傑) Mr. GAO Shutang (高樹堂)
Nomination Committee	**Mr. CHEN Jin'en (陳津恩)** *(Chairman)* Ms. LI Yanqing (李燕青) Mr. WANG Jiajie (王嘉傑)
Quality and Safety Committee	**Mr. YIN Gang (尹剛)** *(Chairman)* Ms. LI Yanqing (李燕青) Mr. GAO Shutang (高樹堂)
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
Compliance Advisor	**Haitong International Capital Limited** 22th Floor Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Principal Bankers	**China Construction Bank** **Beijing Liuliqiao Sub-branch** 1st Floor, Jingduguilong Hotel 22 Lianhuachi South Fengtai District Beijing, PRC **China Merchants Bank** **Beijing Branch Business Division** Block A 156 Fuxingmennei Street Xicheng District Beijing, PRC **Industrial and Commercial Bank of China Beijing Fengtai Science Park Sub-branch** No.5 Haiying Road Fengtai Science Park Fengtai District Beijing, PRC

Unless otherwise indicated, the information presented in this section is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us.

We believe that the sources of such information are appropriate and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Financial Advisor, the Underwriters, or any of our or their respective directors, officers, representatives or any other persons involved in the Global Offering, and no representation is given as to its accuracy and completeness. Such information and statistics may not be consistent with other information and statistics compiled within or outside the PRC.

Source of Information

We have commissioned Frost & Sullivan, an independent market researcher and consultant, to conduct an analysis of, and to report on, the global and PRC rail transportation control system industry (the "**Sullivan Report**"). We commissioned Frost & Sullivan for a fee of RMB800,000, which we consider to be a reasonable market rate. Founded in 1961, Frost & Sullivan has 40 offices worldwide that engage in industry research and provide other services.

The Sullivan Report covers information on global and PRC rail transportation control system industry and economic data, which are quoted in this prospectus. When preparing its report, Frost & Sullivan referred to various sources, including independent interviews, relevant research reports and Frost & Sullivan's own research database. Frost & Sullivan also cross checked materials with various channels to ensure the consistency of its report with the information gathered following industry practice. Frost & Sullivan has adopted the following basis and assumptions in preparing its report: (i) the global and PRC economy is expected to maintain a steady growth from 2015 to 2020, (ii) the global and PRC social, economic and political environment is expected to remain stable from 2015 to 2020, and (iii) there will be no catastrophic events that will result in dramatic or fundamental impact on the global and PRC rail transportation control system industry. In particular, the basis and assumptions of the forecast on the total investment in national railways, total mileage of national railways and market size of the PRC national railway control system are: a) government sources such as 12th Five-year Plan, news on 13th Five-year Plan and other government publications; b) interviews and relevant research reports from industry experts and c) Frost & Sullivan's projection for a gradually-growing percentage of the investment in the railway control system in the PRC out of the total investment in national railways in the PRC.

Our Directors confirm that, after reasonable and due inquiry, there has been no adverse change in the market information since obtaining the data from Frost & Sullivan, which may limit, contradict or affect the information in this section.

Introduction

Rail transportation mainly includes railway, urban transit and modern tram. Railway mainly consists of national railway, which comprises normal- and high-speed railways and intercity railways. Urban transit consists of metro and light rail. With the increasing demand for rail transportation, trains have been operating at higher speed and with shorter intervals, which makes rail transportation efficiency and safety increasingly important. The rail transportation control system enables automatic control of both intervals and speed of trains operating at a high speed and ensures transportation safety while improving efficiency.

The rail transportation control system consists of signal system, which comprises ground and on-board signal system, and communication system. The essential part of the signal system is train control system. The following chart sets forth the major types of rail transportation in the PRC and the corresponding control systems adopted:

Type of Rail Transportation in the PRC				Control System Adopted
Railway	National Railway	High-speed Railway	Operating speed of 300 km/h and above	CTCS-3
			Operating speed of 200 km/h - 300 km/h	CTCS-2
		Normal-speed Railway		CTCS-0 / CTCS-1
	Intercity Railway			CTCS-2
Urban Transit	Metro			CBTC
	Light Rail			CBTC

Global Rail Transportation and Control System Industry

Global Railway Industry

According to the Sullivan Report, by the end of 2014, there were approximately 1,408,400 km of railways in operation worldwide, of which 2.0%, or 28,300 km, were high-speed railways. By the end of 2014, the total mileage of railways in operation in the PRC ranked the second globally and the total mileage of high-speed railways in operation in the PRC ranked the first globally. Boosted by the recovering global economy, higher urbanization level and more active regional trade activities, railway construction is expected to grow steadily worldwide. By the end of 2020, there will be approximately 1,665,000 km of railways in operation worldwide, representing a CAGR of 2.8% from 2014 to 2020, among which approximately 57,400 km will be high-speed railways, representing a CAGR of 12.5% from 2014 to 2020 and accounting for 3.4% of the railways in operation worldwide.

Global urban transit and modern tram industry

According to the Sullivan Report, by the end of 2014, there were approximately 14,400 km of urban transit and modern trams in operation worldwide. By the end of 2014, the total mileage of urban transit and modern trams in operation in the PRC ranked the first globally. As an effective measure to improve urban traffic conditions and to implement energy conservation and environmental protection, many countries, including the PRC, have been accelerating the development of urban transit and modern trams. It is expected that by the end of 2020 there will be approximately 25,700 km of urban transit and modern trams in operation worldwide, representing a CAGR of 10.1% from 2014 to 2020.

Global rail transportation control system industry

The global rail transportation control system industry has been developing rapidly. According to the Sullivan Report, the market size of global railway control system reached RMB97.1 billion in 2014, with the PRC being the largest market of RMB33.1 billion, accounting for 34.1% of the global market. The global high-speed railway market was RMB27.0 billion in 2014 and the PRC accounted for 77.8% of the global market. It is estimated that by 2020, the market size of the global railway control system will reach RMB203.8 billion, representing a CAGR of 13.2% from 2014 to 2020. By then, the market size of railway control system in the PRC is estimated to reach RMB116.3 billion, accounting for 57.1% of the global market.

According to the Sullivan Report, the market size of global urban transit and modern tram control system was RMB53.4 billion in 2014, with the PRC being the largest market of RMB15.6 billion, accounting for 29.2% of the global market. It is estimated that in 2020, the market size of global urban transit and modern tram control system will reach RMB104.9 billion, representing a CAGR of 11.9% from 2014 to 2020. By then, the market size of urban transit and modern tram control system in the PRC will reach RMB49.8 billion, accounting for 47.5% of the global market.

Market Size of Global Rail Transportation Control System Industry

(RMB in billion)

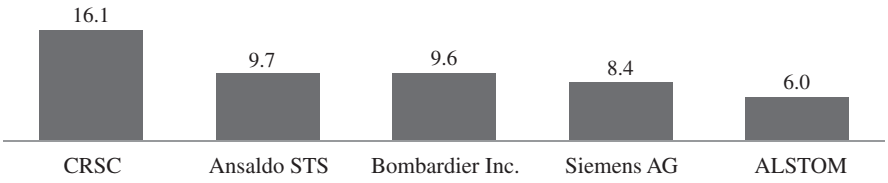
	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E	2009-2014 CAGR	2014-2020 CAGR
Railway	76.1	79.0	81.2	85.7	90.7	97.1	112.1	122.9	139.5	155.8	178.5	203.8	5.0%	13.2%
Urban transit and modern tram	21.8	24.8	24.2	28.0	37.6	53.4	64.4	72.8	81.1	90.1	98.2	104.9	19.6%	11.9%
Total	**97.9**	**103.8**	**105.4**	**113.7**	**128.3**	**150.5**	**176.5**	**195.7**	**220.6**	**245.9**	**276.7**	**308.7**	**9.0%**	**12.7%**

Source: Frost & Sullivan

According to the Sullivan Report, in terms of revenue derived from rail transportation control system products, the global top five rail transportation control system providers in 2014 were CRSC, Ansaldo STS, Bombardier Inc., Siemens AG and ALSTOM. CRSC, as the leader in the rail transportation control system industry in the PRC, has also ranked the first in the global rail transportation control system market since 2009.

Top Five Rail Transportation Control System Providers by Revenue in 2014

(RMB in billion)



Source: Frost & Sullivan

Rail Transportation and Rail Transportation Control System Industry in the PRC

Benefiting from the development of rail transportation industry in the PRC, the size of rail transportation control system industry in the PRC increased from RMB28.9 billion in 2009 to RMB48.7 billion in 2014.

Market Size of Rail Transportation Control System Industry in China

(RMB in billion)

	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E	2009-2014 CAGR	2014-2020 CAGR
Railway	20.7	19.7	20.5	23.0	27.4	33.1	43.4	50.7	61.3	74.2	93.4	116.3	9.8%	23.3%
Urban transit and modern tram	8.2	8.1	7.4	8.7	10.9	15.6	21.0	26.4	32.1	37.9	44.0	49.8	13.7%	21.3%
Total	**28.9**	**27.7**	**27.9**	**31.7**	**38.3**	**48.7**	**64.4**	**77.1**	**93.4**	**112.1**	**137.4**	**166.1**	**11.0%**	**22.7%**

Source: Frost & Sullivan

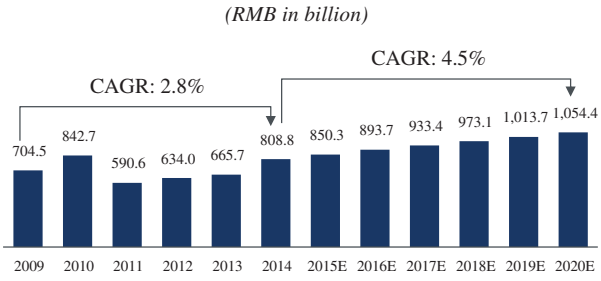
Railway and related control system industry in the PRC

By the end of 2014, although the mileage of railways in operation in the PRC ranked the second in the world, the mileage of railways in operation per million population in the PRC was only 81.9 km, significantly lower than the global average of 201.0 km per million population at the end of 2014. At the same time, Canada, the United States and Russia were the top three countries in terms of mileage of railways in operation per million population, at 1,786.4 km, 702.3 km and 603.4 km, respectively. According to the Sullivan Report, currently, the capacity of the railway network in the PRC cannot satisfy the significant domestic transportation demand. The unsatisfied demand, combined with the potential regional economic benefits to be brought by railway lines, is expected to propel the expansion of the PRC railway networks.

National railway and related control system industry in the PRC

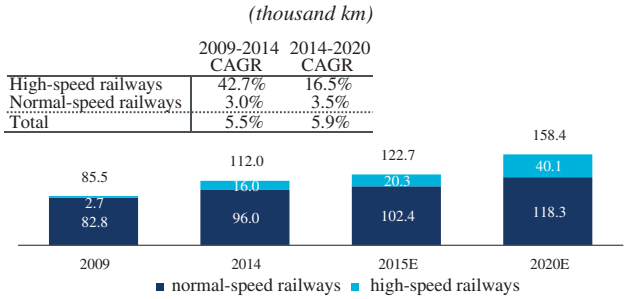
According to the Sullivan Report, during 2009 to 2014, the annual average investment in national railways in the PRC was RMB707.7 billion, and the total mileage of railways in operation increased at a CAGR of 5.5% from approximately 85,500 km in 2009 to approximately 112,000 km in 2014. Within this sector, the total mileage of high-speed railways in operation increased at a CAGR of 42.7% from approximately 2,700 km in 2009 to approximately 16,000 km in 2014. According to the Sullivan Report, the Chinese government will continue to make significant investments in national railways. During 2015 to 2020, the annual average investment in national railways will reach RMB953.1 billion, and the total mileage of railways in operation is estimated to reach approximately 158,400 km in 2020, representing a CAGR of 5.9% from 2014 to 2020. Within this sector, the total mileage of high-speed railways in operation is estimated to reach approximately 40,100 km in 2020, representing a CAGR of 16.5% from 2014 to 2020.

Total Investment in National Railways



Source: NBSC; Frost & Sullivan

Total Mileage of National Railways in Operation in the PRC

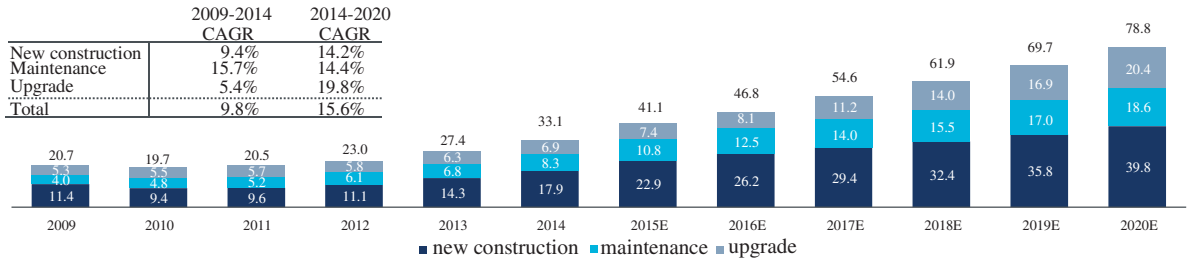


Source: NBSC; NDRC; Frost & Sullivan

According to the Sullivan Report, the market size of national railway control system in the PRC was RMB33.1 billion in 2014, growing at a CAGR of 9.8% from 2009 to 2014. It is estimated that the market size of national railway control system will reach RMB78.8 billion in 2020, representing a CAGR of 15.6% from 2014 to 2020.

Breakdown of the Market Size of National Railway Control System in the PRC

(RMB in billion)

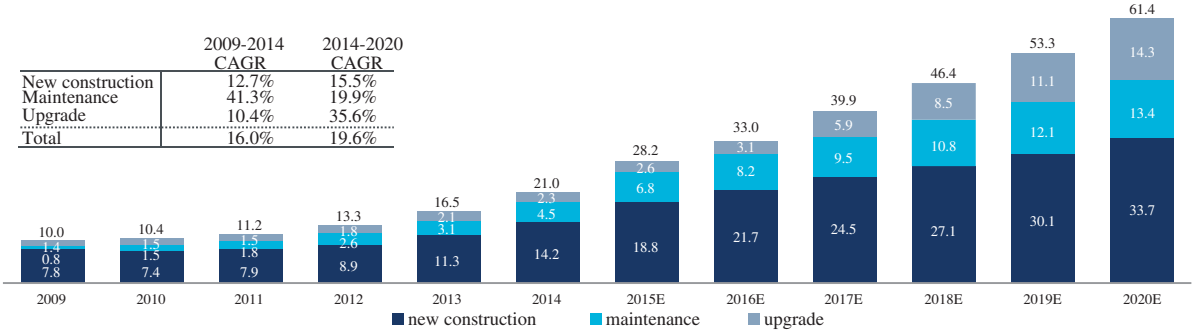


Source: Frost & Sullivan

The national railway control system market in the PRC can be divided into new construction market, maintenance market and upgrade market. Currently, new construction market is the biggest among the three. With the continuous expansion and the upcoming equipment replacement needs of the national railway network, the maintenance and upgrade market will grow rapidly. Enterprises that can provide one-stop solutions will become more competitive in the market. According to the Sullivan Report, the size of the new construction market in the PRC will grow from RMB17.9 billion in 2014 to RMB39.8 billion in 2020, representing a CAGR of 14.2%. The size of the maintenance market in the PRC will grow from RMB8.3 billion in 2014 to RMB18.6 billion in 2020, representing a CAGR of 14.4%. The size of the upgrade market in the PRC will grow from RMB6.9 billion in 2014 to RMB20.4 billion in 2020, representing a CAGR of 19.8%.

Breakdown of the Market Size of High Speed Railway Control System in the PRC

(RMB in billion)

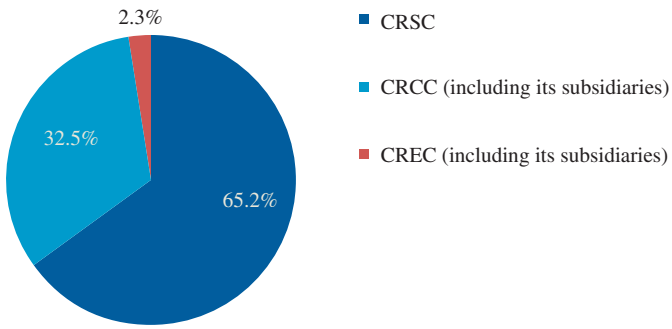


Source: Frost & Sullivan

The current national railway control system market in the PRC is mainly dominated by the high-speed railway business. According to the Sullivan Report, the high-speed railway control system market accounted for 79.3% of the new construction market in 2014, and will account for 84.7% in 2020. The PRC high-speed railway control system new construction market growth in 2014 to 2020 is expected to be higher than that from 2009 to 2014, while the PRC high-speed railway total mileage growth in 2014 to 2020 is expected to be lower than that from 2009 to 2014. The reason for this divergence is primarily the increased cost per kilometer related to high-speed railway control systems. The newly constructed high-speed railway lines during the period will require more sophisticated and expensive control system equipment. At the same time, given the fast development of the PRC high-speed railway network in recent years, each newly constructed high-speed railway line will be connected to more existing lines, forming intersections, which will require additional control systems and further increase the total amount of control system equipment needed. Meanwhile, the high-speed railway control system market accounted for 54.2% of the maintenance market in 2014, and will account for 72.0% in 2020. It is expected that the first round of large-scale upgrade of high-speed railway control system will take place in 2016. According to the Sullivan Report, the high-speed railway control system market will account for 38.3% of the upgrade market in 2016, and 70.1% in 2020.

In the PRC, most of the high-speed railway control system projects follow a packaged bidding process of design and integration, equipment manufacturing and system implementation. According to the Sullivan Report, in terms of the cumulative contracted mileage of completed integration projects, the market share of high-speed railway control system in the PRC by the end of 2014 is as follows:

Market Share of High-speed Railway Control System in the PRC (in terms of the cumulative contracted mileage of completed integration projects by the end of 2014)



Source: Frost & Sullivan

From 2009 to 2014, the growth of the PRC national railway control system market outpaced that of the total investment in national railways and the total mileage of national railways, primarily because the mileage of high-speed railway, which requires more sophisticated railway control system than normal speed railway, grew much faster than the total mileage of national railways. According to Frost & Sullivan, high-speed railway mileage grew from approximately 2,700 km in 2009 to approximately 16,000 km in 2014, representing a CAGR of 42.7%, far outpacing CAGR of total mileage of national railways at 5.5%.

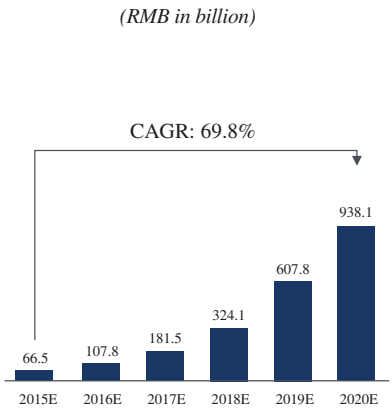
From 2014 to 2020, the PRC national railway control system market is expected to continue to grow faster than the total investment in national railways and the total mileage of national railways, primarily because the faster growth of the high-speed railway and the emerging railway replacement and upgrade market. Specifically, high-speed railway mileage is expected to continue to grow much faster than the total mileage of national railways. According to the Sullivan report, the mileage of the PRC high-speed railway is expected to grow at a CAGR of 16.5% from 2014 to 2020, while the total mileage of the PRC national railways is expected to grow at a CAGR of 5.9% during the same time. Further, the railway control system in the PRC high-speed railway network is expected to enter into a replacement upgrade cycle. Given the first high-speed railway in China was put into operation in 2008, it is expected that the first replacement cycle of national railway will take place in 2016, considering that the railway replacement cycle is eight to ten years. During the cycle, more advanced and expensive control system products will be applied to improve the efficiency and safety of the vast and complicated railway networks in the PRC. According to the Sullivan Report, the size of the upgrade market is expected to grow from RMB6.9 billion in 2014 to RMB20.4 billion in 2020, representing a CAGR of 19.8%, greatly outpacing the total investment in national railways during the same period.

Intercity railway and related control system industry in the PRC

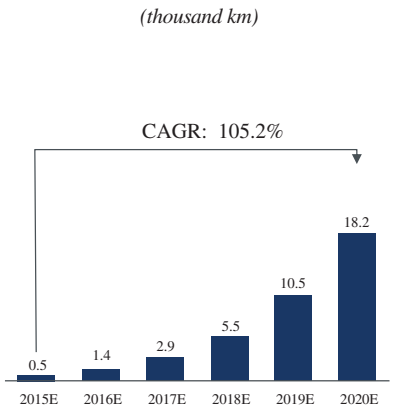
In order to propel the growth of regional economy and strengthen the economic ties between cities or groups of cities, greater attention has been placed on the construction of intercity railways by government authorities at all levels in the PRC. According to the Sullivan Report, the investment in intercity railways is estimated to increase from RMB66.5 billion in 2015 to RMB938.1 billion in 2020, representing at a CAGR of 69.8%. Correspondingly, the total mileage of intercity railways in operation is estimated to increase from approximately 500 km in 2015 to approximately 18,200 km in 2020, representing a CAGR of 105.2%.

Driven by the significant increase in the investment in intercity railways and the rapid growth in the construction thereof, the market size of intercity railway control system has a strong growth momentum and is anticipated to grow from RMB2.3 billion in 2015 to RMB37.5 billion in 2020, representing a CAGR of 74.8%.

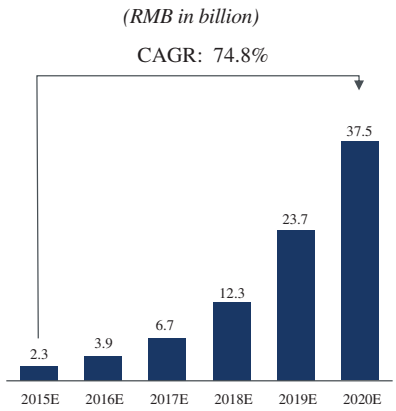
Forecast on Total Investment in Intercity Railways in the PRC



Forecast on Mileage of Intercity Railways in the PRC



Forecast on the Market Size of Intercity Railway Control System in the PRC



Source: Frost & Sullivan

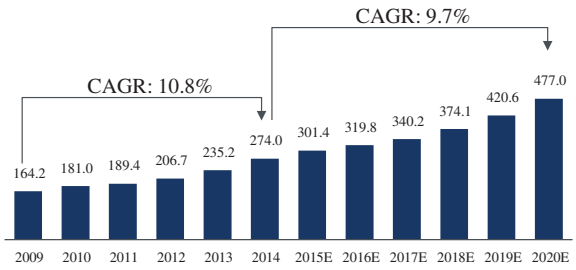
Urban transit and related control system industry in the PRC

With the rapid growth of urban population in the PRC, traditional ground transportation has been facing increasing pressure. On the other hand, the increase in the number of vehicles has also intensified environmental pollution. Urban transit systems can effectively ease the pressure of ground transportation and facilitate environmental protection, which makes it one of the necessary municipal development projects for increasing urbanization in the PRC. Currently, the PRC has the longest mileage of urban transit in operation in the world. By the end of 2014, the mileage of urban transit in operation per million capita in the PRC was 2.3 km, which was below the level of developed countries. At the same time, South Korea, Spain and the United Kingdom were the top three countries in terms of the mileage of urban transit in operation per million population, at 14.2 km, 11.4 km and 6.0 km, respectively.

Since 2009, the total investment in urban transit in the PRC has experienced a steady and rapid growth. The total investment in urban transit was RMB164.2 billion in 2009, with a CAGR of 10.8% to RMB274.0 billion in 2014. Meanwhile, the number of cities with urban transit had grown from 10 in 2009 to 22 in 2014, and the mileage of urban transit in operation also increased from approximately 1,000 km in 2009 to approximately 2,700 km in 2014, representing a CAGR of 22.0%. With the booming construction of urban transit in the PRC, the total investment in urban transit in the PRC is expected to maintain a robust growth from RMB274.0 billion in 2014 to RMB477.0 billion in 2020, representing a CAGR of 9.7%. By the end of 2020, 50 cities in the PRC are expected to have urban transit, and the mileage of urban transit in operation will reach approximately 9,600 km, representing a CAGR of 23.5% from 2014 to 2020.

Total Investment in Urban Transit in the PRC

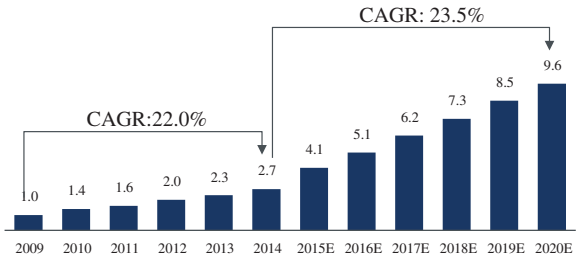
(RMB in billion)



Source: NBSC; Frost & Sullivan

Total Mileage of Urban Transit in Operation in the PRC

(thousand km)

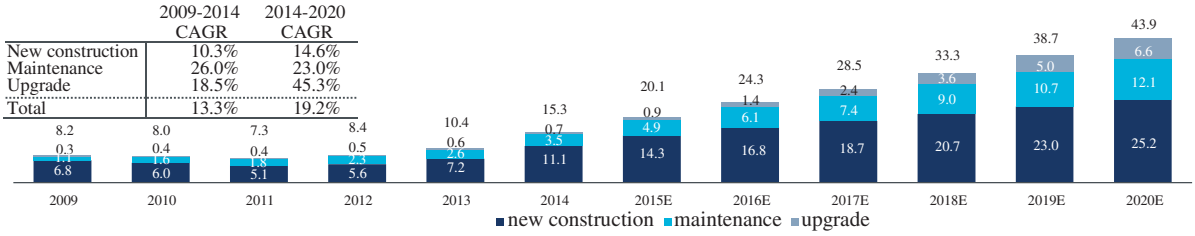


Source: NBSC; China Association of Metros; Frost & Sullivan

According to the Sullivan Report, the market size of the PRC urban transit control system grew at a CAGR of 13.3% between 2009 and 2014, reaching RMB15.3 billion in 2014. As the investment in the PRC urban transit will continue to increase, it is estimated that the market size of the PRC urban transit control system will reach RMB43.9 billion in 2020, representing a CAGR of 19.2% from 2014 to 2020.

Breakdown of the Market size of Urban Transit Control System in the PRC

(RMB in billion)

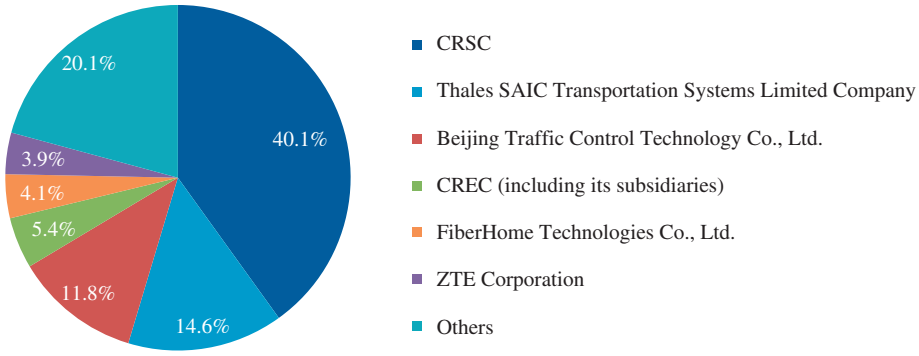


Source: NBSC; Frost & Sullivan

Similar to the national railway control system market, the PRC urban transit control system market can also be divided into new construction market, maintenance market and upgrade market. Currently, the new construction market is the biggest market among the three. According to the Sullivan Report, the new construction market of the PRC urban transit control system is expected to grow from RMB11.1 billion in 2014 to RMB25.2 billion in 2020, representing a CAGR of 14.6%. The maintenance market of the PRC urban transit control system is expected to grow from RMB3.5 billion in 2014 to RMB12.1 billion in 2020, representing a CAGR of 23.0%. The upgrade market of the PRC urban transit control system is expected to grow from RMB0.7 billion in 2014 to RMB6.6 billion in 2020, representing a CAGR of 45.3%.

In terms of the cumulative contract value from 2011 to 2014, CRSC ranked the first in the PRC urban transit control system market and accounted for 40.1% market share.

Market Share of Urban Transit Control Systems in the PRC
(in terms of cumulative contract value from 2011 to 2014)



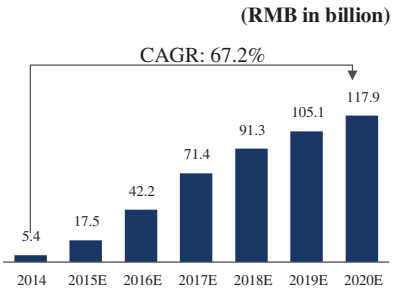
Source: Frost & Sullivan

Modern tram and related control system industry in the PRC

Modern tram is an emerging form of urban transportation. Compared with urban transit, modern tram generally requires lower investment and shorter construction cycle, and has great development potential. According to the Sullivan Report, the total investment in modern tram was RMB5.4 billion in 2014, and is expected to increase to RMB117.9 billion in 2020, representing a CAGR of 67.2%. The total mileage of modern tram in operation is expected to increase from 216.9 km in 2014 to 3,000 km in 2020, representing a CAGR of 54.9%.

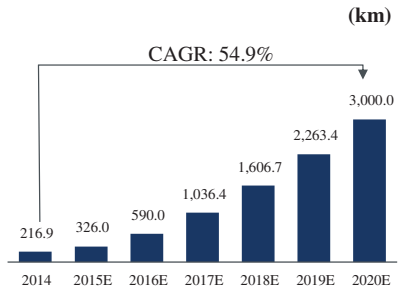
The market size of modern tram control system is expected to grow from RMB0.3 billion in 2014 to RMB5.9 billion in 2020, representing a CAGR of 64.3%.

Total Investment in Modern Tram in the PRC



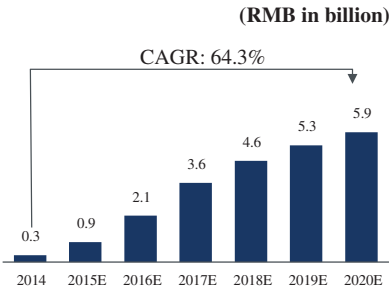
Source: Frost & Sullivan

Total Mileage of Modern Tram in Operation in the PRC



Source: Frost & Sullivan

Market Size of Modern Tram Control Systems in the PRC



Source: Frost & Sullivan

Entry barriers of rail transportation control system industry

The entry barriers for the rail transportation control system industry in the PRC are relatively high:

- Technology barrier: The rail transportation control system industry is technology-intensive. It is usually difficult for enterprises who have newly joined the industry to acquire and apply the necessary technologies. The continuous upgrading of rail transportation control system requires significant R&D investments, making it challenging for these enterprises to catch up with the latest development of technology and cultivate talents with specialized knowledge and skills.

- Safety barrier: The rail transportation control system is crucial to the safety of rail transportation. Therefore, customers prefer large enterprises with strong safety track-record. In addition, before being used widely, all products related to transportation safety must pass strict technical examinations and a long period of trial operation, as well as obtain the safety certificate after passing a safety inspection.

- Experience barrier: The rail transportation control system integrators and manufacturers are required to have at least five-year experience related to the rail transportation signal and communication systems, railway power system, and railway electrification.

- Qualification barrier: The PRC government has imposed stringent requirements on the manufacturing qualification of core control system products. There are only a few companies in the PRC that have obtained the qualification to manufacture the core control system products.

Driving factors and development trend for the rail transportation control system industry in the PRC

Driving factors

The macroeconomy, urbanization and national policy are the major macro factors driving the continuous development of the rail transportation control system industry in the PRC.

- Macroeconomy: During the past few years, the economy in the PRC has been growing steadily, with the nominal GDP increased from RMB34.1 trillion in 2009 to RMB63.6 trillion in 2014, at a CAGR of 13.3%. According to the Sullivan Report, the nominal GDP is expected to reach RMB109.4 trillion in 2020, representing a CAGR of 9.5% from 2014 to 2020. Infrastructure investment, as one of the major components of government spending in the PRC, will continue to increase with the PRC government's intention to stabilize the GDP growth rate.

- Urbanization: According to the Sullivan Report, the urbanization rate in the PRC increased from 46.6% in 2009 to 54.8% in 2014 and is expected to reach 60.0% in 2020. As the urbanization progresses and the population density increases, the demand for intercity transportation, urban transit and modern tram will continue to increase.

- National Policy: The PRC government has promulgated a number of national policies that benefit the rail transportation control system industry, such as the policies on Four Horizontal and Four Vertical High-Speed Railway Corridors Project, the Thirteenth Five-Year Plan, diversifying financing sources in the construction of intercity railway projects, and strengthening the railway construction in the central and western regions. These policies will pave the way for the expansion of the domestic rail transportation industry in the PRC. In addition, the One Belt and One Road Strategy and the High-Speed Railway Diplomacy will be a strong push for Chinese rail transportation enterprises to gain more overseas exposure.

Development trends

The major development trends of rail transportation industry in the PRC are as follows:

- Globalization: Under the "One Belt and One Road" policy, the PRC government plans to make outbound investment of US$1.2 trillion in the next 10 years. By the end of 2014, the PRC had negotiated with 28 countries, including the United States, Brazil and Thailand, with respect to jointly developing railway and other infrastructure projects. With respect to funding, developing countries around the world have jointly established a number of financial institutions in recent years to provide funding for the infrastructure construction in Asia-Pacific and other developing countries. These institutions include the US$40 billion Silk Road Foundation established by the PRC, the US$100 billion BRICS Development Bank under plan by five countries including the PRC, Brazil, India and South Africa, and the US$100 billion Asian Infrastructure Investment Bank funded by 24 Asian countries. The rail transportation industry is therefore facing a vast potential market.

- One-stop Solution: The demand for one-stop solution has demonstrated an upward trend in the PRC. Therefore, bidders are required to possess all integration qualifications of signal, communication, power supply and electrification systems in order to bid for high-speed and intercity railway projects. According to the Sullivan Report, the size of power supply and electrification new construction market for high-speed railways and intercity railways will further increase to RMB106.9 billion in 2020, representing a CAGR of 30.8% from 2014 to 2020, compared to a CAGR of 12.7% from 2009 to 2014.

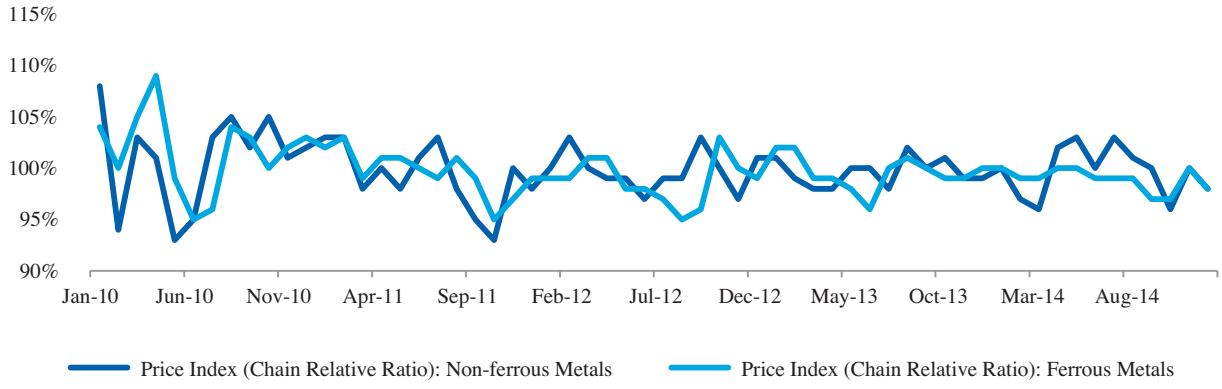
- Interoperability: Interoperability is instrumental to ensure the safety and efficiency of urban transit operations. Control systems shall be compatible between different development phases of the same urban transit line as well as among all lines within the same city.

- Funding Diversification: The PRC government's promulgation of the rail transportation investment and financing systems transformation policies will further diversify the funding methods and resources of railway construction projects. Local governments and private capital may participate in rail transportation construction through the "build-operate-transfer" model and the "public-private partnership" model.

- Smart Transportation: The PRC government will promote the construction of smart transportation, which consists of integrated information collection, processing, decision-making functions.

Major raw materials and market price

The major raw materials used in rail transportation control system are ferrous metal, non-ferrous metal and electronic components. In recent years, due to excessive production capacity, the prices of ferrous metal and non-ferrous metal have been decreasing steadily. However, due to the PRC government's increasing investments in environmental protection and efforts on optimizing and upgrading industry structure in the PRC, the excessiveness of production capacity is expected to be alleviated and the ferrous and nonferrous metal's prices are expected to become stable. The chart below demonstrates the price trends of ferrous metals and non-ferrous metals from 2010 to 2014:



Source: Frost & Sullivan

OVERVIEW

Our main businesses are to provide specialized one-stop solution of design and integration, equipment manufacturing and system implementation services for rail transportation control systems to our customers, which are subject to relevant PRC policies, laws and regulations and are under supervision of government authorities. Such laws, regulations and policies mainly govern the operation and management of railway industry. In addition, all our business operations in the PRC are subject to the laws and regulations regarding quality, safety production, environmental protection, intellectual property and labor. Any violation of those laws and regulations may have an adverse impact on our business operation and future development.

PRINCIPAL REGULATORY AUTHORITIES

- The State Council, which is the administrative agency at the highest level in the PRC, is responsible for the examination and approval of certain industries and development projects under the "Encouraged Category" (鼓勵類) of the Guidance Catalogue for Industrial Structure Adjustment (《產業結構調整指導目錄》).

- The NDRC formulates and implements major policies concerning the economic and social development of the PRC, examines and approves investment projects exceeding certain capital expenditure amounts or investment projects in specified industry sectors (including examination and approval of foreign investment projects), supervises reform of state-owned enterprises and formulates industrial policies and investment guidelines for all industries including the railway industry (such as the manufacturing of rolling stock).

- SASAC is authorized to perform investor's responsibilities, supervise and manage the enterprises (excluding central financial institutions and other special industries) under the supervision of the central government on behalf of the PRC. China Railway Signal & Communication Corporation (中國鐵路通信信號集團公司), our controlling shareholder, is a state-owned enterprise under SASAC's direct supervision. SASAC also has an influence over our business.

- The MOT is responsible for drafting and implementing the plan, policy and standard of railway, highways, waterways and civil aviation, and coordinating to promote the connection among the modes of transportation hereto.

- The NRA drafts the laws, regulations and rules regarding the supervision and management of railways, participates in the research on the development plans, policies and structural reforms of railways, formulates and supervises the implementation of the technical standards of railways, supervises and manages the safety production of railways, formulates

and organizes implementation of the measures on the supervision and management of transportation safety, project quality and construction safety and equipment quality and safety of railways, and implements administrative license granted in accordance with laws.

- The MOHURD is responsible for the supervision and administration of the qualifications for carrying out engineering exploration, engineering design and engineering cost consulting businesses for construction projects in the PRC, the supervision and administration of engineering exploration, design and engineering costs consulting activities for construction projects, the supervision and administration of the examination regarding the working drawings for construction projects, as well as the supervision and administration of the urban-rural planning and zoning.

- The SAWS is responsible for the supervision and administration of the work safety of construction projects in the PRC.

- The Ministry of Environmental Protection of the PRC (formerly known as the State Environmental Protection Administration) supervises and controls environmental protection and monitors the national environmental system.

- The MLR is responsible for the protection and the rational utilization of natural resources, such as land, mineral and marine resources, the regulation of the administration and market order of land resources, the regulatory administration of the rights and ownerships of land resources and for formulating polices and measures regarding land and mineral resources for the economic adjustment and control.

- The SAT is responsible for drafting taxation laws and regulations, formulating rules for implementation, organizing the implementation of the systematic reforms of taxation administration, formulating taxation administration system as well as supervising and inspecting the execution of taxation laws, regulations, principles and policies.

- The CNCA, established and authorized by the State Counsel, is the competent authority for the centralized administration, supervision and comprehensive coordination of the certification and accreditation in the PRC through performing its administrative functions. The CNCA is responsible for studying, drafting and implementing laws, regulations and rules regarding the certification and accreditation, safety and quality accreditation, health registration and qualification assessment and recognition and for formulating, promulgating and organizing the implementation of the supervision and administration system and regulations regarding the certification and accreditation as well as qualification assessment and recognition.

RELEVANT REGULATIONS

Regulations on Railway Industry

The Railway Law of the People's Republic of China (《中華人民共和國鐵路法》) (implemented on May 1, 1991, amended on April 24, 2015)

The competent railway authority of the State Council supervises the national railway system, enforces highly centralized management and uniform instruction on the transportation administration system and directs, coordinates, supervises and facilitates the development of the local railways, special railways and exclusive railway lines. The competent railway authority of the State Council formulates the guidelines for technology management of national railway systems, according to which the guidelines for technology management of local railways, and special railways shall be formulated.

The Major Technical Policies of Railways (《鐵路主要技術政策》) (Implemented on February 1, 2013)

It states that high-speed railway shall fully adopt centralized traffic control system, while other railways shall vigorously adopt centralized traffic control system. Train operation dispatching command system shall be established. Also, Chinese Train Control System (CTCS) shall be improved by optimizing the technical proposals and standards. These policies state that the PRC need to build up an integrated, stable and reliable communication network platform with the ability to carry various operation information via improving broadband access for and the intelligent ability of the transmission network and digital communication network, to develop GSM-R and facilitate the GSM-R network coverage over the whole high-speed railway, so as to establish, step by step, a digital mobile communication system that could cover the whole railway network, to develop and improve centralized video surveillance and control system, emergency communication system, dispatch communication system and other systems, to push ahead with the development of the train safety protection equipment and danger alerting equipment, to conduct the research on the next generation railway mobile communication technology, to develop technologies used for dynamic and static testing of the railway communication signal and for surveillance and intelligent analysis, with an aim to enhance the capabilities of such systems and equipment used for remote diagnosis, alerting and forecasting as well as centralized network control and also to strengthen the administration of industries and to improve the admittance system for railway products which is mainly carried out through the administrative approval and product certifications, so as to improve the quality of products and projects.

The Regulation on the Administration of Railway Safety (《鐵路安全管理條例》) (Implemented on January 1, 2014)

The railway industry regulatory authorities under the State Council are responsible for the supervision and administration of the national railway safety. The railway regulatory agencies set up by the railway regulatory authorities under the State Council are responsible for the supervision and administration of the local railway safety within their respective administrative jurisdictions. All parties participating in the railway construction, transportation, equipment manufacturing and maintenance shall strengthen safety management, formulate and improve the production safety administration system, ensure the performance of enterprise production safety responsibility by the responsible parties, set up safety administration agency or designate safety administration staff, follow national standards and industrial standards that have been set out to ensure production safety and products quality and safety, reinforce the safety education and training for employees, and make necessary investment to ensure production safety. Staff engaging in the railway construction, transportation, equipment manufacturing and maintenance shall strictly comply with rules and regulations and conduct standardized operation in order to ensure the safety of railway. Special equipment for railway excluding railway vehicles which could directly affect the operation safety of the railway and which shall go through products accreditation procedures according to the laws must pass relevant accreditations before leaving the factory for sales, importation and use.

The Guidelines for Railway Technology Management (《鐵路技術管理規程》) (Implemented on November 1, 2014)

The guidelines specify the basic requirements and standards for basic construction, products manufacturing, examination and delivery and maintenance and repair of railways at the use-and-management level. It also specifies the basic rules, the responsibilities, operation methods and process of as well as the relationships between each department, team and job when operating railway transportation and productions. It sets out the way to display different signals and relevant operation standards. Also, the main roles and responsibilities of and basic requirements for a railway staff have been clearly set out in these guidelines.

The Measures on the Examination and Approval of Railway Transportation Basic Equipment Manufacturers (《鐵路運輸基礎設備生產企業審批辦法》) (Implemented on January 1, 2014)

Administrative permission matters regarding railway transportation basic equipment manufacturers shall be carried out in compliance with such measures. Railway transportation basic equipment consists of railway switch and transition equipment, railway signal control software and control equipment, railway communication equipment and power system for railway hauling cars. The NRA is responsible for formulating, adjusting and publishing the list of railway transportation basic equipment.

In order to obtain "railway transportation basic equipment manufacturer license" (《鐵路運輸基礎設備生產企業許可證》), a railway transportation basic equipment manufacturers within the territory of the PRC shall submit an application for the NRA's examination and approval.

The Rules for Implementation of the Examination and Approval of Railway Communication Signal Equipment Manufacturers (《鐵路通信信號設備生產企業審批實施細則》) (Implemented on February 25, 2014)

In order to obtain railway transportation basic equipment manufacturer license (the "manufacturing license"), a railway communication signal equipment manufacturers within the territory of the PRC shall submit an application for the NRA's examination and approval. The list of enterprises that are eligible for the manufacturing license will be published by the NRA. Such rules also sets out the conditions and procedures applicable to obtaining the license.

The Rules for Implementation of the Examination and Approval of Railway Hauling Equipment Power System Manufacturers (《鐵路牽引供電設備生產企業審批實施細則》) (Implemented on February 21, 2014)

In order to obtain railway transportation basic equipment manufacturer license" (the "manufacturing license"), a railway hauling equipment power system manufacturer within the territory of the PRC shall submit an application for the NRA's examination and approval. The list of enterprises that are eligible for the manufacturing license will be published by the NRA.

The Administrative Measures on the Certification of Railway Products (《鐵路產品認證管理辦法》) (Implemented on July 1, 2012)

The products certification administration system is applicable to railway products that are not subject to administrative permission. Certification agencies with legal qualification shall carry out qualification testing procedures to assess whether relevant railway products meet specific criteria and technical specification requirements. The CNCA is responsible for the supervision, administration and overall coordination of the certification for railway products. The competent department in charge of railways under the State Council is in charge of the adoption and admission in respect of the certification for railway products as well as the supervision and administration of the certificated products used in railway.

Regulations on Operation and Management

The Construction Law of the People's Republic of China (《中華人民共和國建築法》) (Implemented on March 1, 1998, amended on April 22, 2011 and then implemented on July 1, 2011)

The contract-issuing party and contractor of a construction project shall enter into contracts in writing according to the laws, setting out the rights and obligations of each party. Both contract-issuing party and contractor shall fully perform their obligations under relevant contracts. Any party who fails to perform its obligations under relevant contracts shall be legally responsible for the breach.

The Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) (Implemented on January 1, 2000), the Regulation on the Implementation of the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》) (Implemented on February 1, 2012) and Interim Supervision and Administration Measures on the Tender and Bidding of Railway Construction (《鐵路建設工程招標投標監管暫行辦法》) (Implemented on March 1, 2014)

A bidding procedure shall be carried out for a construction engineering project in the PRC, which shall meet certain criteria, including the engineering exploration, design, construction and supervision of the project, as well as the procurement of important equipment and materials relating to construction works.

The administrative department of development and reform under the State Council is responsible for directing and coordinating the national tender and bidding work as well as for supervising and inspecting the tender and bidding activities relating to the construction of national major construction projects. Departments under the State Council such as MIIT, MOHURD, MOT, MOR, MWR and MOFCOM are responsible for supervising and inspecting the tender and bidding activities in compliance with their regulatory duties and division of responsibilities.

The tender and bidding work relating to railway construction projects shall be carried out in a fair and impartial manner and subject to social supervision.

The Provisions on the Administration of Qualifications of Construction Enterprises (《建築業企業資質管理規定》) (Implemented on March 1, 2015) and Criteria of Qualifications of Construction Enterprises (《建築業企業資質標準》) (Implemented on January 1, 2015)

Enterprises engaging in construction, extended construction, reconstruction and other construction activities of civil engineering projects, construction projects, installation projects of circuits and pipelines in the PRC shall apply for its qualification based on the conditions such as its own assets, key personnel, achievement of construction projects completed and technical equipment, and may only engage in construction activities within the scope of its qualification, after passing the

qualification examination and obtaining the qualification certificate of construction enterprise. The administrative department in charge of housing and urban-rural development under the State Council shall be responsible for the centralized supervision and administration of qualifications of construction enterprises nationwide. The administrative authority in charge of housing and urban-rural development of the people's government of a province, autonomous region or municipality directly under the Central Government shall be responsible for the centralized supervision and administration of qualifications of construction enterprises within its administrative region.

The qualification for general project management for construction and that for professional contracting are further classified into several types of qualifications according to different natures of projects and technical characteristics, and the different types of qualifications are classified into several grades according to different conditions stipulated. The qualification for construction labor services is not classified into different types and grades. The standards of qualifications for construction enterprises and the specific scopes of projects to be undertaken by enterprises with corresponding qualifications shall be formulated by the administrative department in charge of housing and urban-rural development under the State Council jointly with the other relevant departments under the State Council. The enterprises may apply for one or more qualifications of construction enterprises. The enterprises shall apply for the lowest grade qualifications for the first time or in the case of application for any additional qualification.

The Regulation on the Administration of Overseas Project Contracting (《對外承包工程管理條例》(implemented on September 1, 2008) and the Provisions for the Administration of the Qualifications for Contracting Overseas Construction Projects (《對外承包工程資格管理辦法》(implemented on November 1, 2009)

Pursuant to the relevant provisions, entities that undertake overseas project contracting shall obtain the qualification for contracting overseas projects.

Enterprises or other entities in the PRC that contracting overseas construction projects (including activities such as consultancy, exploration, design, supervision, tender, cost, procurement, construction, installation, debugging, operation and management, etc.) shall gain the qualification for contracting overseas projects and obtain the PRC Certificate of Qualification for Contracting Overseas Projects (《中華人民共和國對外承包工程資格證書》) before they can contract foreign construction projects within the permitted scope.

Quality and Safety Production

The Regulation on the Administration of Quality Control of Construction Projects (《建設工程質量管理條例》, Implemented on January 30, 2000)

Entities that develop a project or undertake the exploration, design, construction or supervision works of the project are responsible for the quality control of the project.

All construction activities shall be conducted in strict compliance with basic construction procedures and by adhering to the principle of exploration first, designing second and followed by construction.

The quality warranty system shall be applied to construction projects. If any quality issues of the construction project arise within the warranty coverage and period, the construction enterprise shall perform the warranty obligations and compensate for any losses suffered.

The State implements a quality supervision and administration system for construction projects. The construction administrative department under the State Council is responsible for the overall supervision and administration of the quality of construction projects in the PRC. The competent authorities of the State Council, such as the MOR, the MOT and the MWR, in compliance with their divisions of duties and responsibilities, shall be responsible for the supervision and administration of the quality of professional construction projects in the PRC. The construction administrative authorities of local people's governments above county level are in charge of implementing quality supervision and administration for construction projects in their respective administrative regions. The relevant authorities of local people's governments above county level, such as the transport departments and water resource departments are in charge of implementing quality supervision and administration for professional construction projects in their respective administrative regions.

The Provisions on Quality Supervision and Administration of Railway Construction Projects (《鐵路建設工程質量監督管理規定》) (Implemented on May 1, 2015)

An entity or individual who carries out the construction, survey, design and supervision of railway projects shall strictly implement relevant laws and regulations, rules and systems and the compulsory standards on project construction and be responsible for the quality of railway construction according to the laws. The railway construction shall stringently adhere to the basic construction procedure of first survey, later design and then construction, this basic construction procedure shall not be simplified without authorization. The NRA and regional railway administrative authorities (collectively referred to as "Railway Regulatory Authorities") are responsible for the quality supervision and administration of railway construction projects. The Railway Regulatory Authorities may authorize a project quality supervision agency which should comply with the requirements prescribed by competent authorities to carry out the supervision of the quality for railway construction projects.

The Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》, Implemented on November 1, 2002, amended on August 31, 2014 and then Implemented on December 1, 2014)

Entities engaged in production and business operations must observe this production safety law and other laws and regulations concerning safety production, strengthen the administration of safety production, establish and improve the system of responsibilities for safety production, and perfect the conditions for safety production to guarantee the work safety.

Relevant authorities of the State Council supervise and manage the safety production in their respective scope of administration according to this production safety law and other applicable laws and administrative regulations, while local people's government authorities above county level supervise and manage the safety production of construction works in their respective scope of administration according to this production safety law and other applicable laws and administrative regulations.

Please see the above for the Regulation on the Administration of Railway Safety (《鐵路安全管理條例》).

The Interim Measures for Supervision and Administration of Quality and Safety of Railway Construction Projects (《鐵路建設工程質量安全監管暫行辦法》, implemented on January 8, 2014)

Supervision work of quality and safety for railway construction projects mainly include supervision and inspection, complaint and report, organizing or participating in accident investigations and etc. Supervision work of quality and safety for railway construction projects shall be conducted according to Laws, regulations, rules concerning construction projects and mandatory standards of the nation and the railway industry for construction projects.

The Implementation Guidelines of Ministry of Communications on the Technology Innovation Promoting Safety Development of Transportation (《交通運輸部關於科技創新促進交通運輸安全發展的實施意見》, implemented on June 24, 2014)

Actively implementing the State Council's various requirements concerning further strengthening safety production, persisting in open innovation and collaborative innovation, regarding perfecting transportation safety risk management technical system as main line, supported by technical research and development and application, based on promoting safety technology innovation ability, increasing technological innovation's contribution on promotion of safety development, so as to significantly promote transportation safety and emergency management and technical level.

By 2020, key technological innovations of transportation safety will achieve a new breakthrough, advanced, mature and appropriate technical achievements will be widely used, safety risk management technical system will be basically in place, the working mechanism which promotes safety development with technological innovation will be more perfect, transportation safety will be increased significantly, the ability to respond to emergency will be improved sharply, casualty and economic losses will be reduced apparently, environmental pollution will be reduced substantially, major risk sources will be identifiable, preventable and basically controllable.

Rolling stock manufacturers in the PRC are subject to the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and the Regulation on the Administration of Railway Safety (《鐵路安全管理條例》). Relevant authorities of the State Council and local government authorities supervise and manage the safe production of construction works in their respective scope of administration according to the Safe Production Law and other applicable laws and administrative regulations.

Environmental Protection

Environmental protection laws and regulations imposed on rolling stock manufacturers in the PRC mainly include the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》promulgated and implemented on December 26, 1989 and amended on April 4, 2014 and implemented on January 1, 2015, the Prevention and Control of Atmospheric Pollution Law of the People's Republic of China (《中華人民共和國大氣污染防治法》promulgated on September 5, 1987 and subsequently amended on August 29, 1995 and April 29, 2000, the Prevention and Control of Water Pollution of the People's Republic of China (《中華人民共和國水污染防治法》promulgated on May 11, 1984 and subsequently amended on May 15, 1996 and February 28, 2008, the Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》promulgated on October 30, 1995 and revised on December 29, 2004, June 29, 2013 and April 24, 2015, and the Cleaner Production Promotion Law of the People's Republic of China (《中華人民共和國清潔生產促進法》 promulgated on June 29, 2002 and implemented on January 1, 2003 and amended on February 29, 2012. The types and severeness of sanctions enforced on entities which are in violation of environmental protection and law depend on the seriousness of the pollution and the breach committed. Such sanctions include warnings, penalties, and remedies in a limited time period, cessation of operation or closure of business. Such entities are also required to indemnify the parties which have suffered direct losses due to pollution. Any person being held liable directly for any serious pollution incidents resulting in material losses of public or private property or casualties shall be subject to criminal liabilities.

Protecting environment is a fundamental national policy of the State. The State shall adopt economic and technological policies and measures conducive to economically and cyclically utilizing resources, protecting and improving environment and enhancing the harmony between mankind and nature so as to coordinate economic and social development with environmental protection.

The relevant departments of the State Council and the local people's governments at or above the municipal level with districts as well as the relevant departments thereof shall, in the process of working out the relevant programs concerning the use of land and the programs for building, developing and utilizing the areas, drainage areas or sea areas, conduct environmental impact appraisals, draft chapters or explanations concerning environmental impacts.

In the chapters or explanations of the programs concerning environmental impacts, an analysis, prediction and appraisal of the environment impacts of the program after it is implemented shall be made, and countermeasures shall be put forward for preventing or mitigating the unfavorable environmental impacts. Such chapters or explanations shall form a part of the draft of the programs and shall be reported to the organ in charge of the examination and approval of the programs.

The examination and approval organ may not approve any draft of program which does not have a chapter or explanation of the environmental impacts.

With regard to the relevant special programs of industry, agriculture, animal husbandry, forestry, energy, water conservancy, transportation, municipal construction, tourism, and natural resources development, the relevant departments of the State Council and the local people's government of the cities with districts as well as the relevant departments thereof shall, prior to reporting the draft of the special program for examination and approval, organize appraisals of environmental impacts, and submit a report of environmental impacts to the organ in charge of the examination and approval of the special program.

The construction of any project that may have an effect on the environment within the territory of the People's Republic of China or within other seas subject to the jurisdiction of the People's Republic of China, appraisals shall be conducted about the environmental impacts according to the Law of the People's Republic of China on Appraising of Environment Impacts.

Intellectual Property

According to the Patent Law of the People's Republic of China (《中華人民共和國專利法》 adopted by the Standing Committee of the National People's Congress on March 12, 1984 and subsequently amended on September 4, 1992, August 25, 2000 and December 27, 2008, respectively and its implementation rules, patents of invention and utility model and exterior design are entitled to legal protection. Only inventions and utility models which are original, creative and practicable shall be granted patents. For exterior design, patent will only be granted to new design, and there shall be no patent application from other unit or individual being submitted to the patent administrative department of the State Council before the relevant date of application and recorded in the patent document published after the date of application. The patents for invention, utility model and exterior design shall be valid for 20 years, 10 years and 10 years, respectively, commencing from the date of application.

According to the Trademark Law of the People's Republic of China (《中華人民共和國商標法 》 adopted by the Standing Committee of the National People's Congress on August 23, 1982 and subsequently revised on February 22, 1993, October 27, 2001 and August 30, 2013 and its implementation rules, trademark shall be registered upon the approval of the Trademark Office. Registered trademarks include commodity trademarks, service trademarks, collective trademarks and certificate trademarks. Owners of the registered trademarks are entitled to the exclusive right to use the trademark with legal protection. A registered trademark shall be valid for 10 years commencing

from the date of registration. Any registered owner of the trademarks who desires to use the registered trademark continuously after the expiry date shall apply for the renewal of registration in accordance with laws within 12 months before the expiry date. Where no application has been filed within the said period, a grace period of six months may be allowed. The validity period for each renewal shall be ten years commencing from the next day after the expiry of the previous validity period.

Labor and Personnel

The Labor Law of the People's Republic of China (《中華人民共和國勞動法》, implemented on January 1, 1995 and amended on August 27, 2009), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》, implemented on January 1, 2008, amended on December 28, 2012 and then implemented on July 1, 2013) and the Regulation on the Implementation of the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》, implemented on September 18, 2008)

To regulate the relationships between employers and their employees as well as the entering, execution, performance, modification, withdrawal or termination of labor contracts, to improve the labor contractual system, to clarify the respective rights and obligations of both parties to labor contracts and to protect legal rights of employers and employees.

The Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》, implemented on July 1, 2011) and the Several Provisions on Implementing the Social Insurance Law of the People's Republic of China (《實施〈中華人民共和國社會保險法〉若干規定》, implemented on July 1, 2011)

The State establishes social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance so as to protect the rights of citizens in receiving material assistance from the State and the society in accordance with the law when getting old, sick, injured at work, unemployed and giving birth. The employers and individuals within the territory of the PRC shall pay their social insurance premiums in accordance with laws.

The Regulation on the Management of Housing Provident Fund (《住房公積金管理條例》, implemented on April 3, 1999 and amended and then implemented on March 24, 2002)

An employer shall go to the Administration Center of Public Accumulation Fund for Housing Construction to make deposit registration and go to an entrusted bank to go through the procedures for opening its employee's housing provident fund account when approved by the Administration Center of Public Accumulation Fund for Housing Construction.

When employing new staff or workers, the units shall undertake housing fund payment and deposit registration at a housing fund management center within 30 days from the date of the employment, and shall go through the formalities of opening or transferring housing fund accounts of staff and workers at a commissioned bank with the verified documents of the housing fund management center.

The payment and deposit ratio of housing provident fund of the employees and unit shall not be less than 5% of the monthly average salary in the previous year; for the cities with favorable conditions, the payment and deposit ratio can be increased appropriately. The specific payment and deposit ratio is drew up by Housing Provident Fund Management Committee (住房公積金管理委員會) , and report to people's government at provincial, autonomous regions and municipalities level for approval after approved by people's government at the said level.

Descriptions of Sanctions Laws

United States

U.S. statutes, Executive Orders, and regulations impose economic sanctions against certain countries and territories, including Iran, Sudan, Cuba, Crimea, Syria and North Korea, as well as entities and individuals specifically designated for sanctions by the U.S. In addition, the U.S. has imposed limited sanctions targeting certain sectors of the economy and certain entities and individuals in Russia and Ukraine and certain entities and individuals in Iraq or associated with the former Iraqi government. Such statutes, Executive Orders and regulations, primarily administered by OFAC, generally apply to U.S. persons (e.g., U.S. citizens and permanent residents, entities established in the U.S. and their non-U.S. branch offices, any individual located in the territory of the U.S., and, in the case of Cuba and Iran sanctions, any entities owned or controlled by the foregoing) and activities conducted in the U.S. or otherwise subject to U.S. jurisdiction. U.S. persons are prohibited from engaging in most direct or indirect commercial activities or transactions with Sanctioned Countries and sanctioned persons (including individuals or entities), and are also prohibited from facilitating such activities or transactions. U.S. sanctions and related export control laws and regulations also prohibit (with certain limited exceptions) the export and re-export of U.S. origin items from the U.S. or third countries to Iran, Sudan, Cuba, Crimea, North Korea and Syria.

U.S. statutes, Executive Orders, and regulations also target the activities of non-U.S. companies doing business with Iran in certain sectors or with respect to certain activities. The Iran Sanctions Act of 1996 (the "**ISA**") as amended by the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 ("**CISADA**"), the Iran Threat Reduction and Syria Human Rights Act of 2012 (the "**ITRA**"), Executive Order 13590 and other laws, among other things, authorize the U.S. Department of State and the U.S. Department of the Treasury to impose sanctions on non-U.S. companies that undertake certain investments in, or provide certain goods, services or technology to, the Iranian petroleum and petrochemical sectors or specified entities or individuals in Iran.

Executive Order 13599, effective February 6, 2012, requires U.S. persons to block all property and interests in property of the Government of Iran and Iranian financial institutions and all persons (including individuals or entities) determined by the U.S. Department of the Treasury to be owned by, controlled by, or acting for or on behalf of any of those parties.

Executive Order 13622, effective July 31, 2012, authorizes the U.S. Department of the Treasury to block all property and interest in property of any person determined to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services in support of certain specified Iranian entities designated as Specially Designated Nationals ("SDNs"). OFAC's designation of Iranian and other entities and individuals under certain of these and other sanctions programs prohibits U.S. persons from any dealings directly or indirectly with these designated parties. Imposition of sanctions under these measures can have severe repercussions for non-U.S. companies, including prohibitions on transactions involving U.S. financial institutions, other U.S. persons, or any property subject to U.S. jurisdiction anywhere in the world. The U.S. authorities have imposed sanctions on non-U.S. companies under the U.S. sanctions laws described above.

The Iran Freedom and Counter-Proliferation Act of 2012 ("**IFCA**"), which became U.S. law in January 2013, among other things, generally targets persons (including individuals or entities) who sell, supply, or transfer to or from Iran: (i) significant goods or services used in connection with Iran's energy, shipping or shipbuildings sectors; and (ii) precious metals, or certain other metals if used in connection with certain targeted sectors or parties. Under the IFCA, the President must impose five or more of the twelve available ISA sanctions where a determination is made that entities have engaged in sanctionable activities. Additionally, persons involved in Iran's energy, shipping or shipbuilding sectors may be "blocked," as well as persons who knowingly provide significant support to persons in connection with Iran's energy sector.

Executive Order 13645, effective June 3, 2013, authorizes the U.S. Department of the Treasury to block the property and interests in property of persons determined to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of Government of Iran or other Iranian parties that are designated on OFAC's SDN list, or to or in connection with the automotive sector of Iran.

Executive Order 13382, effective June 29, 2005, authorizes the designation on OFAC's SDN List and consequently freezing of assets of entities or individuals designated as proliferators of weapons of mass destruction, as well as the designation of those who provide material assistance to already designated parties. OFAC has designated numerous parties under E.O. 13382 for supporting the Iranian Revolutionary Guard Corp or its affiliates.

On January 20, 2014, OFAC issued guidance (the "**OFAC Guidance**") implementing the agreement reached by the U.S., United Kingdom, Germany, France, Russia, and the PRC ("**P5+1**") and Iran under the Joint Plan of Action (the "**Joint Plan**"). Under the Joint Plan, in return for Iran's commitment to place meaningful limits on its nuclear program, the P5+1 committed to provide Iran with limited, targeted, and reversible sanctions relief for a six-month period, commencing on January

20, 2014 and ending on July 20, 2014 (the "**Joint Plan Period**"). This sanctions relief has been extended and currently ends on June 30, 2015. The sanctions relief covers specified activities undertaken by non-U.S. persons engaged in transactions related to Iran. On April 2, 2015, the P5+1 group and Iran announced a Joint Comprehensive Plan of Action ("**JCPOA**"). According to OFAC Guidance, the JCPOA provides "a path for sanctions on Iran to be suspended and eventually terminated in exchange for IAEA "International Atomic Energy Agency" verified implementation by Iran of its key nuclear commitments." However, the OFAC Guidance makes clear that the JCPOA does not immediately relieve, suspend or terminate any sanctions on Iran and OFAC will continue to vigorously enforce its sanctions against Iran, including taking action against persons who seek to evade U.S. sanctions. In addition, the U.S. Government retains the authority to revoke this limited sanctions relief at any time if Iran fails to meet its commitments under the Joint Plan.

The ITRA requires U.S. "issuers" (generally, entities listed on U.S. exchanges and otherwise subject to the U.S. Security and Exchanges Commission ("**SEC**") reporting requirements) to disclose in reports due to be filed with the SEC on or after February 6, 2013, if they or their affiliates engaged in transactions or dealings, in certain sectors of the Iranian economy or with the Government of Iran, not specifically authorized by the U.S. Government. We are not a U.S. issuer and therefore, not subject to this requirement. If we were targeted with certain secondary sanctions described above, financial sponsors and underwriters, and investors who are U.S. issuers may be required to report their business dealings with us under this requirement.

A significant number of the 50 U.S. states and some U.S. localities have laws or policies targeting Sanctioned Countries. These state and local laws generally require that state or local funds divest from or do not invest in companies that are identified as doing business with one or more Sanctioned Countries. CISADA authorized such divestment by U.S. states and localities. US state and municipal investors may be restricted from investing in the Company as a result of its business dealings with Sanctioned Countries during the Track Period.

European Union

The E.U. also imposes economic sanctions against certain countries which include, but are not limited to, Iran, Russia and Iraq. E.U. sanctions apply: (i) within the territory of the E.U., including its airspace; (ii) on board any aircraft or any vessel under the jurisdiction of an E.U. member state; (iii) to any person inside or outside the territory of the E.U. who is a national of a Member State; (iv) to any legal person, entity or body, inside or outside the territory of the E.U., which is incorporated or constituted under the law of a Member State; and (v) to any legal person, entity or body in respect of any business done in whole or in part within the E.U.. Persons and entities to whom E.U. sanctions apply are referred to hereafter as "**E.U. Persons**". E.U. sanctions are introduced through E.U. regulations, which are directly applicable in the 28 Member States of the E.U., and do not require further implementing legislation. Under the E.U. sanctions regime, certain activities are either prohibited or require approval from the competent authority of an E.U. member state.

E.U. sanctions typically comprise restrictions on dealings in certain industrial sectors, trade in certain goods and services, arms and related technology embargoes, asset freezes, and prohibitions on making funds or economic resources available, directly or indirectly, to or for the benefit of designated individuals and entities.

E.U. sanctions may further prohibit provision of technical assistance, brokering services and/or financing or financial assistance in support of certain prohibited activities, and contain wide anti-circumvention provisions, which prohibit E.U. Persons from taking steps knowingly and intentionally to circumvent prohibitions. The terms "knowingly" and "intentionally" imply cumulative requirements of "knowledge" and "intent" which are met when the person participating in an activity covered by anti-circumvention provisions deliberately seeks that object or effect or is aware that his participation may have that object or that effect and accepts that possibility.

In some cases, a limited number of grandfather provisions may apply, which may allow the fulfillment of certain obligations which would otherwise be prohibited where those obligations arise under an agreement or contract concluded before the entry into force of E.U. sanctions or before a specific date as specified by the relevant E.U. regulation. Notification to or approval by national competent authorities may be required.

Whilst E.U. regulations are directly applicable, each Member State sets the penalties for breaches of E.U. sanctions, generally by way of national legislation. In some Member States, national legislation creates criminal offences and may further elaborate on activities which will be regarded as being contrary to the E.U. regulations. In the UK, for example, it is generally considered a criminal offence not only to circumvent prohibitions in the E.U. regulations, but also to "*enable*" or "*facilitate*" a contravention. Accordingly, if E.U. sanctions apply to a party subject to UK jurisdiction, then the approach to risk will be informed by these provisions.

Further, in order to fully assess E.U. sanctions risk it is necessary to consider the effect of E.U. regulations, the domestic legislation in each E.U. member state governing penalties for breaches of E.U. sanctions, and applicable Member State national legislation which may be engaged by the particular circumstances of a proposed investment.

E.U. sanctions against Iran are provided for under Council Regulation No. 359/2011 of April 12, 2011 (as amended), relating to perpetrators of human rights abuses; and Council Regulation No. 267/2012 of 23 March 2012 (as amended), relating to nuclear proliferation. The E.U. sanctions targeting Iran include, *inter alia*: (i) asset freezes and prohibitions on the making available of funds and economic resources, directly or indirectly, to or for the benefit of listed natural and legal persons; (ii) restrictions on the sale, supply, transfer or export, directly or indirectly, of listed goods and technology (including dual-use goods and technology), whether or not originating in the E.U., to any Iranian person, entity or body or for use in Iran; (iii) a prohibition on the sale, supply, transfer or export of graphite and listed raw or semi-finished metals, directly or indirectly, to any Iranian person, entity or body, or for use in Iran; (iv) prohibitions on the import into the E.U. and the purchase of crude oil and petroleum products located in, originating in, or exported from Iran; and (v) subject to

certain exemptions, restrictions on transfers of funds to or from Iranian persons, entities or bodies. There are also prohibitions on the provision of technical assistance, brokering services, financing and financial assistance in support of certain prohibited activities. Pursuant to a Joint Plan of Action, the E.U. agreed to suspend a limited number of restrictive measures from 20 January 2014, including the prohibition on the transport of crude oil or petroleum products that originate in Iran, or are being exported from Iran to any other country.

E.U. sanctions concerning Ukraine and Russia are provided for under Council Regulation No. 208/2014 of March 5, 2014 (as amended), relating to misappropriation of state funds and violations of human rights; Council Regulation No. 269/2014 of March 17, 2014 (as amended), relating to the territorial integrity, sovereignty and independence of Ukraine; Council Regulation No. 692/2014 of June 23, 2014 (as amended), relating to Crimea and Sevastopol; and Council Regulation No. 833/2014 of July 31, 2014 (as amended), relating to Russia. These E.U. sanctions include, *inter alia*: (i) asset freezes and prohibitions on making available funds and economic resources, directly or indirectly, to or for the benefit of listed natural and legal persons; (ii) restrictions on access to the capital market for, and lending to, certain listed Russian financial institutions and military and energy companies; (iii) restrictions on the sale, supply, transfer or export, directly or indirectly of listed items relating to the oil industry, whether or not originating in the E.U., to any natural or legal person, entity or body in Russia or in any other State, if such items are for use in Russia; (iv) a prohibition on the sale, supply, transfer or export, directly or indirectly, dual-use goods and technology, whether or not originating in the E.U., to any listed natural or legal person, entity or body in Russia for any purpose, as well as to any non-listed natural or legal person, entity or body in Russia or for use in Russia, if those items are or may be intended, in their entirety or in part, for military use or for a military end-user; and (v) restrictions on the provision, directly or indirectly, of certain services related to the supply of arms and military equipment to any natural or legal person, entity or body in Russia or for use in Russia. There are also prohibitions on the provision of technical assistance, brokering services, financing and financial assistance in support of certain prohibited activities.

E.U. sanctions against Iraq are provided for under Council Regulation No. 1210/2003 of July 7, 2003 (as amended). This regime includes an asset freeze and a prohibition on the making available of funds and economic resources, directly or indirectly, to or for the benefit of listed natural and legal persons.

Australia

In Australia, sanctions laws are implemented through two related regimes: the United Nations Security Council ("**UNSC**") sanctions regimes ("**UN sanctions**") and Australian autonomous sanctions regimes ("**autonomous sanctions**"). The relevant Australian legislation which underpins the sanctions are as follows: (a) UN sanctions are implemented primarily under the Charter of the United Nations Act 1945 (Cth) and its set of regulations; and (b) autonomous sanctions are implemented primarily under the Autonomous Sanctions Act 2011 (Cth) and the Autonomous Sanctions Regulations 2011 (Cth).

The autonomous sanctions regimes can either operate separate to or in addition to the UNSC sanctions regimes. For example, and as is extrapolated below in greater detail, both the U.N. sanctions and Australian autonomous sanctions apply to Iran, whereas only the U.N. sanctions apply to Iraq.

Australian sanctions have extraterritorial reach and apply to: (a) Australian citizens; (b) persons incorporated in Australia and persons controlled by a person incorporated in Australia; (c) persons located in Australia; and (d) activities conducted in or through Australia.

Breaches of controls on trade in sanctioned goods and services, or dealings with sanctions-designated individuals and entities, are criminal offenses under the Autonomous Sanctions Act 2011 (Cth). It is possible to obtain a "sanctions permit" authorizing otherwise restricted or prohibited activities, although an application must be made to the Minister for Foreign Affairs.

In relation to Iran, Australia has implemented the UNSC sanctions regime and also drafted an autonomous sanctions regime. The autonomous sanctions regime has been imposed against Iran since 18 October 2008 and has been amended several times, most recently on 19 December 2013. In summary, the sanctions regimes prohibit or restrict:

(a) the export or supply of goods, such as: (i) direct or indirect supply of "export sanctioned goods." What constitutes export sanctioned goods is broad and wide-ranging; and (ii) supply, sale or transfer to the Government of Iran (related public bodies, corporations or agencies, or persons or entities acting on behalf of the Government) of gold, precious metals or diamonds.

(b) the export or provision of services, including:(i) technical advice, assistance or training; (ii) financial assistance; (iii) a financial service; or (iv) another service, if the provision of that service: (i) assists with the supply, sale or transfer of "export sanctioned goods"; (ii) is in respect of an oil tanker or cargo vessel flying the flag of the Islamic Republic of Iran, or is owned, chartered or operated by an Iranian person, entity or body; (iii) assists with or is provided in relation to the Government of Iran (related public bodies, corporations or agencies, or persons or entities acting on behalf of the Government); or (iv) assists with an activity involving an item of gold, precious metals or diamonds.

(c) the import, procurement, purchase or transport of goods including: (i) "import sanctioned goods" if the goods originate in, or are exported from Iran (i.e., crude oil, petroleum, etc.); and (ii) imports or purchase from the Government of Iran (related public bodies, corporations or agencies, or persons or entities acting on behalf of the Government).

(d) commercial activities: broadly, the sanctions regime restricts commercial activities relating to investment in the oil and gas industry in Iran, and Iranian investment in Australia's oil and gas industry.

(e) financial sanctions: the use or dealing with an asset (defined broadly to include intangible, tangible, movable or immovable property) owned or controlled by a "designated person or entity" for Iran, or making an asset available for the benefit of a "designated person or entity".

(f) travel bans: "declared person[s]" prohibited from travelling to, entering or remaining in Australia (unless prohibition waived).

In relation to Iraq, Australia has not legislated an autonomous sanctions regime. However, Australia fully implements the UNSC sanctions regime that relates to Iraq.

In relation to Russia, the UNSC is constrained in issuing sanctions against Russia due to its veto power as a permanent member of the UNSC. Accordingly, sanctions against Russia must stem from the Australian Government issuing autonomous sanctions. On March 31, 2015, the Autonomous Sanctions Regulation 2011 was amended so as to impose autonomous sanctions in relation to Russia. The following restrictions and prohibitions apply:

(a) the direct or indirect supply, sale or transfer to Russia, for use in Russia, or for the benefit of Russia, of the following goods: (i) "arms or related material"; and (ii) items suited to certain categories of exploration and production projects in Russia;

(b) the import, procurement, purchase or transport of "arms or related material" for Russia if the goods originate in, or are exported from Russia;

(c) the export or provision of services, such as: (i) the provision to Russia, or a person for use in Russia, of technical advice, assistance or training, or financial assistance, or financial service, or another service, if it assists with, or is provided in relation to (A) a military activity and (B) the manufacture, maintenance or use of "arms or related material"; (ii) the provision to Russia, or to a person, entity or body for use in Russia, the following services necessary for certain categories of exploration and production projects in Russia, including its Exclusive Economic Zone and Continental Shelf; and

(d) restrictions on commercial activities, including: (i) the direct or indirect purchase or sale of, or any other dealing with, bonds, equity, transferable securities, money market instruments or other similar financial instruments, if the financial instrument (A) is issued by Russian state-owned banks, entities involved in military supplies and services and entities selling or transporting crude oil and petroleum products, and (B) has a maturity period exceeding thirty days; and (ii) directly or indirectly making, or being part of any arrangement to make loans or credit if the loan or credit (A) is made by an entity specified in the Autonomous Sanctions (Russia, Crimea and Sevastopol) Specification 2015 and (B) has a maturity period specified in the Autonomous Sanctions (Russia, Crimea and Sevastopol) Specification 2015 for the financial instrument and the entity, without a sanctions permit. There are certain exceptions to the above prohibitions.

In addition to the sanctions outlined above, there are sanctions relating to the Crimea, Sevastopol and Ukraine.

United Nations

U.N. sanctions are binding on U.N. member states, the domestic laws of which will determine whether further action, such as domestic legislation, is needed to impose their requirements on private parties. Accordingly, the means of implementation, the interpretation and enforcement of U.N. sanctions may differ among U.N. member states.

The UNSC has imposed a variety of sanctions against Iran. These are provided for in UNSC resolutions 1737 (2006), 1747 (2007), 1803 (2008), 1929 (2010), 1984 (2011), 2049 (2010), 2105 (2013), and 2159 (2014). The restrictive measures require U.N. member states to, *inter alia*: (i) take the necessary measures to prevent the supply, sale or transfer directly or indirectly from their territories, or by their nationals or using their flag vessels or aircraft to, or for the use in or benefit of, Iran, and whether or not originating in their territories, of all items, materials, equipment, goods and technology which could contribute to Iran's enrichment-related, reprocessing or heavy water-related activities, or to the development of nuclear weapon delivery systems; (ii) take the necessary measures to prevent the supply, sale or transfer directly or indirectly from their territories, or by their nationals or using their flag vessels or aircraft to, or for the use in or benefit of, Iran, and whether or not originating in their territories, of certain listed items, materials, equipment, goods and technology; (iii) prevent the direct or indirect supply, sale or transfer to Iran, from or through their territories or by their nationals or individuals subject to their jurisdiction, or using their flag vessels or aircraft, and whether or not originating in their territories, of any conventional arms; (iv) freeze the funds, other financial assets and economic resources which are on their territories that are owned or controlled by listed persons or entities; and (v) take the necessary measures to prevent the entry into or transit through their territories of designated individuals.

The UNSC has imposed sanctions related to Iraq pursuant to UNSC resolution 661 (1990) and UNSC resolution 1483 (2003). Under these resolutions, U.N. member states are required to prevent the sale or supply to Iraq of arms and related material with the exception of such arms or materials required by the Government of Iraq or the multinational force to serve the purposes of UNSC resolution 1546 (2004). UNSC sanctions also require all Member States to freeze funds, financial assets, and economic resources in their territories that are owned or controlled by specifically listed persons or entities. Sanctions imposed by the UNSC against Iraq should not lead to enforcement against us because we are not and have not been engaged in the sale or supply to Iraq of arms and related materials and we do not believe that any of our contracts involve any party that is designated on the UNSC sanctions list.

Regulatory and Approval Required for Overseas Share Offer and Listing

According to the Securities Law of the People's Republic of China (《中華人民共和國證券法》), a domestic enterprise issuing securities overseas, directly or indirectly, or having its securities listed or traded overseas, shall obtain an approval from a securities regulatory administration authority under the State Council based on the requirement of State Council.

According to the Special Provisions of the State Council Concerning the Floatation and Listing Aboard of Stocks by Limited Stock Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》), a joint stock company with limited liabilities offering shares to overseas investors and listing overseas shall make an application in writing with relevant materials in accordance with the requirement of the CSRC and file to the CSRC for approval.

According to the Regulatory Guidelines in relation to the Document Submission and Review Procedure for Stocks Issuance and Overseas Listing by Joint Stock Companies (《關於股份有限公司境外發行股票和上市申報文件及審核程序的監管指引》) promulgated by CSRC, a company making application for issuing and listing of shares overseas shall file documents, such as an application report, relevant resolutions of the shareholders' meeting and Board of Directors and the Articles to the CSRC. CSRC would then accept and review the application for administrative approval submitted by such company in accordance with the Implementation Procedures and Requirements on Administrative Approval from the CSRC (《中國證券監督管理委員會行政許可實施程序規定》) before any administrative approval is made. Upon receipt of the acceptance notice from CSRC, the company shall submit the initial application on issuance and listing to an overseas securities regulatory institute or stock exchange. Upon receipt of the verification document for administrative approval from CSRC, the company shall file a formal application for issuance and listing to an overseas securities regulatory institute or a stock exchange. Such company shall file a report in writing in respect of the relevant condition on overseas issuance and listing to CSRC within 15 working days from the completion of overseas issuance and listing of the shares. The verification documents regarding the issuing and listing of shares overseas from CSRC shall be for a term of twelve months.

Please see the section headed "Approval of the CSRC under Information about This Prospectus and the Global Offering" for the details of approval obtained by us from CSRC.

OUR HISTORY

Our history traces back to the year of 1953, when the Signal & Communication Engineering Company (通信信號工程公司) and Signal & Communication Design Institute (電務設計事務所), the predecessor of CRSCD, one of our principal subsidiaries, were established by MOR. In 1981, MOR approved the establishment of CRSC Corporation Group, our Controlling Shareholder. CRSC Corporation Group is a large wholly state-owned enterprise supervised by SASAC, and was a major market participant in the rail transportation control system industry prior to the Reorganization (as defined below) in 2010.

Our Company was established as a joint stock company on December 29, 2010 pursuant to the approvals on the reorganization of CRSC Corporation Group issued by SASAC in 2010 and the promoters agreement dated December 2, 2010. CRSC Corporation Group injected its assets relating to rail transportation control system business into our Company accordingly ("Reorganization"). After the Reorganization, such relevant business has become our principal business and the foundation for our development. For further details, please refer to the subsection headed "—Reorganization" in this section.

Upon our establishment, our Company had a registered share capital of RMB4,500 million, consisting of 4,500,000,000 Shares. The shareholding structure of our Company upon our establishment was as follows:

Name of promoters	Number of shares held upon establishment of our Company	Approximate % of shareholding upon establishment of our Company	Aggregate amount of registered share capital upon establishment of our Company (RMB million)	Means of capital contribution for our establishment
CRSC Corporation Group	4,357,540,000	96.8343	4,357.54	In cash and in the form of tangible goods, intellectual property rights and other assets (equity interest)
SINOMACH	41,900,000	0.9311	41.90	In cash
CCT Group	41,900,000	0.9311	41.90	In cash
CRHC	41,900,000	0.9311	41.90	In cash
CICC Jiacheng	16,760,000	0.3724	16.76	In cash
Total	**4,500,000,000**	**100**	**4,500.00**	**—**

For details of the background and industry experience of our promoters, please refer to the subsection headed "—Background of Our Existing Shareholders" in this section.

OUR PRINCIPAL BUSINESS

We have been the largest rail transportation control system solution provider in the world in terms of revenue since 2009, according to the Sullivan Report. We are a pioneer and market leader in the PRC rail transportation control system industry and a key enterprise to ensure the safe and efficient operation of the PRC rail transportation. We have the following three main business lines: design and integration, equipment manufacturing and system implementation of rail transportation control systems. With a strong focus on product design and R&D and through our "three-in-one" business model, we have become the only rail transportation control system solution provider in the world who is capable of independently providing the entire suite of products and services with competitive advantages across the whole industry value chain.

OUR MILESTONES

The milestones in our core businesses are as follows:

1953	Our predecessors, Signal & Communication Engineering Company and Signal & Communication Design Institute, were established;
1960	We participated in designing the first mechanized hump marshalling yard in the railway industry of the PRC;
1965	We participated in the design of the signal and communication control system of Beijing Subway Line 1, which is the first metro line in the PRC;
1973	The 6502 big station relay interlocking system designed by us unified for the first time the standard of station relay interlocking control system used in the railway industry of the PRC;
1981	The establishment of CRSC Corporation Group was approved;
1984	The first station computer-based interlocking system in the PRC, which was designed and developed by us, was put into operation;
1986	Shanhaiguan up-track yard's "hump rolling route process control system", which was designed by us, was put into operation, and it is the first micro-computer-based automatic control system for hump rolling routes in the railway industry of the PRC;
1986	We established CRSC CASCO, the first sino-foreign joint venture in the railway industry of the PRC, and held 50% of its equity interests;
1988	The first national demonstration project of optical fiber communication in the railway industry of the PRC, which was designed by us, was put into operation;

1994 The automatic blocking system engineering designed and constructed by us was put into operation in Guangzhou-Shenzhen Railway Line, which was the first quasi high-speed railway line in the PRC;

2002 ZPW-2000A automatic blocking system equipment, which was developed by us with proprietary intellectual property rights, passed the evaluation and promotion test of MOR, unified and became the sole standard of automatic blocking system used in the railway industry of the PRC;

2003 From 2003 to 2006, we successively designed and constructed the signal and communication systems in Datong-Qinhuangdao Railway Line's upgrade projects for capacity expansion to two hundred million tons and four hundred million tons per year, which was the first time in the world adopting the global system for mobile communications-railway (GSM-R) to realize synchronous control over multiple heavy haul locomotives;

2004 The project of urban transit control signal system of Dalian Express Line No. 3 (Phase I) was put into operation, which is the first domestically-manufactured urban transit control system in the PRC and was completed by us (as the general contractor);

2006 We undertook, as the general contractor, the control system design and integration project of the Beijing-Tianjin Hign-Speed Railway Line, which is the first high-speed railway with the speed of 350 km/h in the PRC, and it has been put into operation since August 1, 2008;

Our self-developed new generation of decentralized autonomous centralized traffic control system (CTC), which is the first new generation of decentralized autonomous centralized traffic control system (CTC) in the PRC, and our video monitoring system, were successfully put into operation in the Qinghai-Tibet Railway, which is the railway in plateau areas that covers the longest span of permafrost area and is at the highest altitude in the world, in 2006 and 2007 respectively, for the first time;

2007 Our self-developed computer integrated process system for marshalling yard (CIPS) was successfully put into operation in Chengdu North Marshalling Yard, which is the world's first marshalling yard equipped with CIPS;

2008 We completed, as the system integrator, the control system engineering project of Beijing Subway Line 10 (Phase I) (including the Olympic Extension, which is one of the key projects for the Beijing Olympic Games construction projects), which is the first metro line in the PRC that adopted a wireless communication based automatic train control system (CBTC);

The technology standards for the operation of high-speed trains, of which we were the leading developer, were promulgated;

2009 Our self-developed CTCS-3 was put into operation for the first time in Wuhan-Guangzhou High-Speed Railway in the PRC. Through this project, we developed a set of standards of the CTCS-3, became the leader in this technology in the PRC, and enabled the PRC to be among the most advanced technology developers in world's high-speed railway industry in a short period;

2010 Our Company was established;

2011 We undertook the control system integration and construction project of Beijing-Shanghai High-Speed Railway, which is the longest high-speed railway built as a single project in the world at that time;

2012 We undertook the control system integration and construction project of Harbin-Dalian High-Speed Railway, which is the world's first high-speed railway in frigid areas;

Our self-developed intermittent train control system was successfully operated in Beijing Subway Line 8;

2013 ZPW-2000A track circuit and switching machine developed by us won the bid of Guangzhou-Shenzhen-Hong Kong High-Speed Railway (Hong Kong section);

Our self-developed modern tram control system was firstly put into operation in Shenyang Hunnan New District Modern Tram Phase I Line No. 1, 2, 3 and 5; and

2014 Our self-developed wireless communication based train control system (CBTC) won the bid of Beijing Subway Line 8.

We have recently obtained the following major awards:

2004 The "Beijing Subway Batong Line Comprehensive Engineering Project" (北京地鐵八通線綜合工程) which we participated in won the China Construction Engineering Luban Awards (中國建築工程魯班獎);

2007 Our self-developed "ZPW-2000A Jointless Frequency Shift Automatic Blocking System" (ZPW-2000A型無絕緣移頻自動閉塞系統) won the second prize of National Science and Technology Progress Award (國家科學技術進步獎);

The "Integrated Technology and Equipment for Projects Related to Raising the Speed of China's Railways (中國鐵路提速工程成套技術與裝備)" which we participated in won the first prize of National Technology Progress Award;

2008 The "Comprehensive Technology and Application of Heavy Haul Transportation for the Datong-Qinhuangdao Railway Line" (大秦鐵路重載運輸成套技術與應用) which we participated in won the first prize of National Science and Technology Progress Award;

The "TDCS Train Dispatch Control System" (TDCS鐵路列車調度指揮系統) we dominated in won grand prize of Science and Technology Award by the China Railway Society (中國鐵道學會科學技術獎);

The "Qinghai-Tibet Railway Engineering Project" (青藏鐵路工程) which we participated in won the special award of National Science and Technology Progress Award;

2009 The "Innovation and Application of Beijing-Tianjin 350km/h Communication Signal System Integration" (京津時速350公里通信信號系統集成創新與應用) we dominated in won the first prize of China Railway Society Railway Technology Award (中國鐵道學會鐵道科技獎);

The "Beijing-Tianjin Hign-Speed Railway Communication and Signal Engineering Design" (京津高速鐵路通信信號工程設計) we completed won the first prize of Excellent Design Prize of Ministry of Railways (鐵道部優秀設計獎);

2010 The "Beijing-Tianjin Hign-Speed Railway Engineering Project" (京津高速鐵路工程) we participated in won the China Civil Engineering Zhan Tianyou Awards (中國土木工程詹天佑大獎);

2011 The "Beijing-Tianjin High-Speed Railway Engineering Project" (京津高速鐵路工程) we participated in won China Construction Engineering Luban Awards;

2012 The "Beijing-Shanghai High-Speed Railway Communication, Signal and Information Design and Integration" (京滬高速鐵路通信、信號、信息化系統設計及集成) we undertook won the first prize of China Railway Society Railway Technology Award;

The "Beijing-Tianjin Hign-Speed Railway Engineering Project" (京津高速鐵路工程) we participated in won the first prize of the National Technology Progress Award;

The "Research and Application on CTCS-3 Level Train Control Systems" (CTCS-3級列控系統研究與應用) we dominated in won grand prize of the China Railway Society Railway Technology Award;

2013 The "Technical Specification Research for GSM-R — Research for GSM-R Digital Mobile Communication System Technology Standards" (GSM-R相關研究 — GSM-R數字移動通信系統技術規範研究) and "Harbin-Dalian High-Speed Railway Communication and Signal System Integration" (哈大客專通信信號系統集成) we undertook won the first prize of the China Railway Society Railway Technology Award;

The "Wuhan-Guangzhou High-Speed Railway Communication Signal Project" (武漢至廣州客運專線通信信號工程) we undertake won the National Outstanding Quality Engineering Project Awards (National Level) (國家優質工程獎(國家級));

The "Newly Constructed Beijing-Shanghai High-Speed Railway Communication, Signal and Information Design Project" (新建北京至上海高速鐵路工程通信、信號和信息設計工程) we designed won the first prize of the National Construction Project Outstanding Design Achievement Award (全國工程建設項目優秀設計成果);

2014 The "Beijing-Shanghai High-Speed Railway Integrated Engineering Project" (京滬高速鐵路綜合工程) which we participated in won the National Outstanding Quality Engineering Project Awards (National Level);

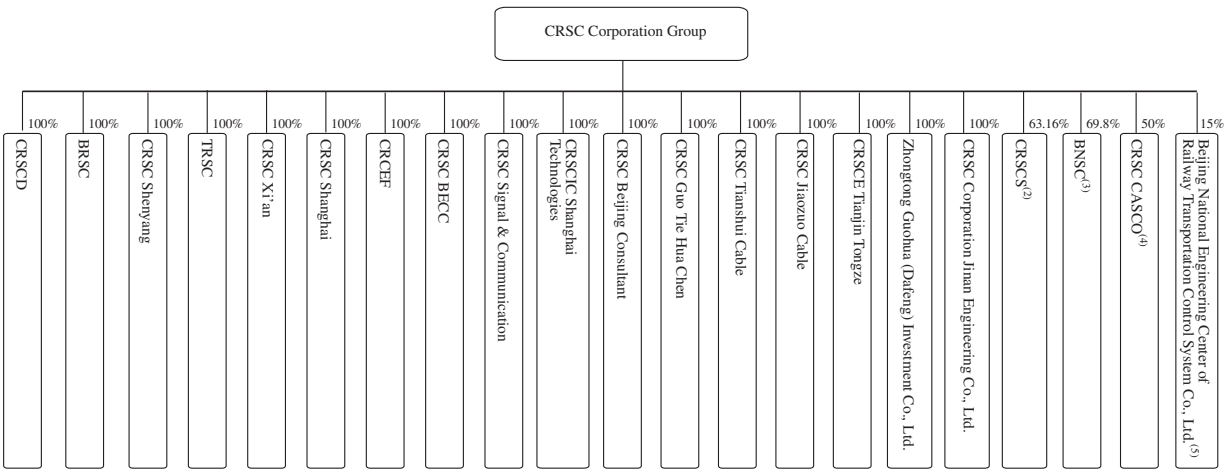
The CIPS we developed won the first prize of the China Railway Society Railway Technology Award; and

2015 The "Beijing-Shanghai High-Speed Railway Engineering Project" (京滬高速鐵路工程) we participated in was selected as one of the recommended projects for grand prize of the National Technology Progress Award (currently at the stage of public notification).

REORGANIZATION

Pursuant to the approvals issued by SASAC and the reorganization agreement dated January 6, 2011 (the "Reorganization Agreement") entered into between CRSC Corporation Group and our Company, CRSC Corporation Group injected into our Company its assets relating to rail transportation control system business. Upon completion of the Reorganization, the assets injected into our Company by CRSC Corporation Group included all the operational and management assets in its headquarters (including its branches), the operational assets or equity interests in its seventeen directly wholly-owned subsidiaries, equity interests in its two directly non-wholly owned subsidiaries, one joint venture and one company in which our company owns minority equity interests ("Associate Company"), and the assets and equity interests of relevant indirectly owned subsidiaries relating to the main businesses.

The following chart sets out the shareholding structure of CRSC Corporation Group immediately before the Reorganization[(1)]:



Notes:

(1) For the completed corporate structure of the Group as of the Latest Practicable Date, please refer to the subsection "—Corporate Structure" in this section.

(2) At that time, the remaining 4.78%, 10.05%, 4.78%, 9.57% and 7.66% of the equity interests in CRSCS were held by China Shanghai Foreign Economic & Trading (Group) Corporation (中國上海外經(集團)有限公司), Suzhou Lida Baisheng Investment Co., Ltd (蘇州利達百盛投資有限公司), Shanghai Suwei Communication Technology Co., Ltd (上海蘇威通信科技有限公司), Shanghai Tangsheng Investment Co., Ltd (上海唐盛投資發展有限公司) and Jiangsu Zhongtian Technologies Co., Ltd (江蘇中天科技股份有限公司), respectively, all of which were Independent Third Parties.

(3) At that time, the remaining 14.0% and 16.2% of the equity interests in BNSC were held by Zenitel Norway AS and Nera Broadband Satellite AS, respectively, both of which were Independent Third Parties.

(4) At that time, CRSC CASCO was one of our joint ventures. The remaining 50% of its equity interests was held by Alstom (China) Investment Co., Ltd (阿爾斯通(中國)投資有限公司), which was an Independent Third Party.

(5) At that time, Beijing National Engineering Centre of Railway Transportation Control System Co., Ltd. (北京軌道交通運行控制系統國家工程研究中心有限公司) was one of our Associate Companies. The remaining 50%, 20% and 15% of its equity interests were held by China Railway Investment Co., Ltd (中國鐵路建設投資公司), Beijing Jiaotong University (北京交通大學) and China Academy of Railway Sciences (中國鐵路科學研究院), respectively, all of which were Independent Third Parties.

Pursuant to the Reorganization, the following operational assets or equity interests, land and buildings, other assets, qualifications and contracts with respect to main businesses and employees were injected into our Company by CRSC Corporation Group:

1. *Operational assets or equity interests*

CRSC Corporation Group injected into our Company the operational assets or equity interests in its following 19 directly owned subsidiaries, including its indirectly owned subsidiaries relating to the main businesses, one joint venture and one associate company: CRSCD, BRSC, CRSC Shenyang, TRSC, CRSC Xi'an, CRSC Shanghai, CRCEF, CRSC BECC, CRSC Signal & Communication, CRSCIC Shanghai Technologies, CRSC Beijing Consultant, CRSC Guo Tie Hua Chen, CRSC Tianshui Cable, CRSC Jiaozuo Cable, CRSCE Tianjin Tongze, Zhongtong Guohua (Dafeng) Investment Co., Ltd (中通國華(大豐)投資有限公司), CRSC Corporation Jinan Engineering Co., Ltd. (中國鐵路通信信號集團濟南工程有限公司), CRSCS, BNSC, CRSC CASCO and Beijing National Engineering Center of Railway Transportation Control System Co., Ltd. For details about the shareholding percentage, please refer to below the corporate structure chart upon completion of the Reorganization in the subsection headed "—Reorganization" in this section.

2. *Land and buildings*

Pursuant to the principle that "Transfer of Assets with Business", CRSC Corporation Group injected into our Group land use rights of the land used for production and operation and the buildings which were located on the aforesaid land and were related to the main businesses. Meanwhile, we obtained the rights for utilizing the land and buildings retained by CRSC Corporation Group by way of leasing.

3. *Other assets*

Pursuant to the Reorganization Agreement, the fixed assets relating to our main businesses and held by CRSC Corporation Group (including but not limited to mechanical equipments and accessories, equipments and transportation vehicles), and intangible assets (including but not limited to trademarks and patents) were injected to our Group. At the same time, the rights and liabilities relating to the business and assets injected to our Group were also transferred into our Group.

4. *Qualification and contracts relating to our main businesses*

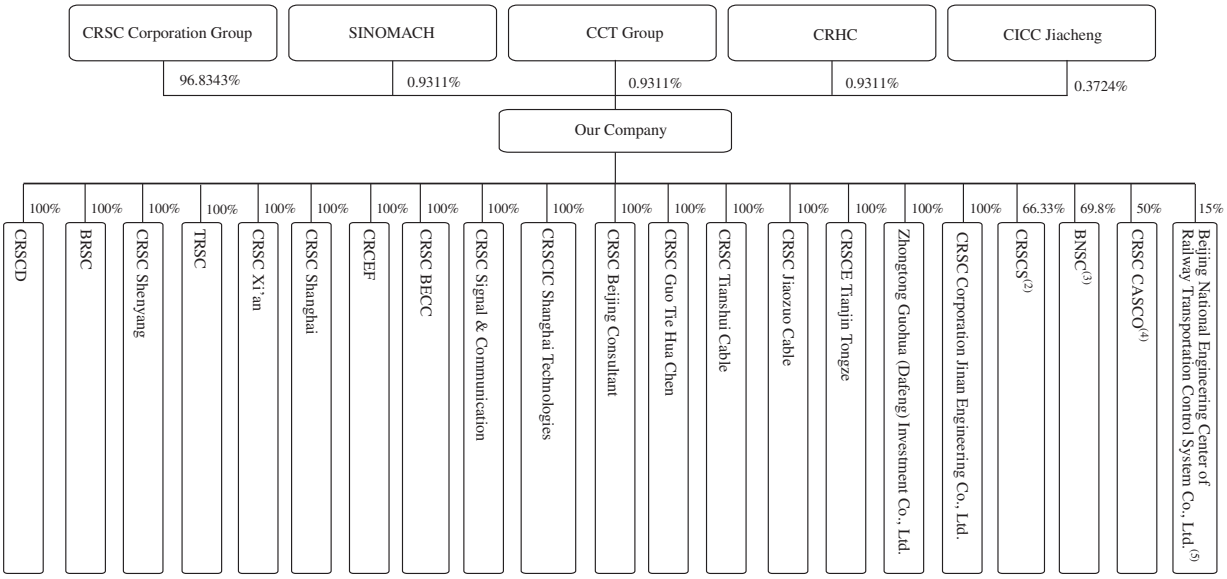
Pursuant to the Reorganization Agreement, the business qualifications in relation to our main businesses were transferred to our Group upon completion of the Reorganization, and the contracts in relation to our main businesses, which were signed by CRSC Corporation Group but had not been completed, continued to be implemented by us.

5. *Employees*

Pursuant to the principle that "Transfer of Employees with Assets", the management team, technical team and other employees relating to the business and assets transferred to our Group, were all transferred to our Group and became the employees of our Group.

Pursuant to relevant approvals issued by SASAC and the promoters agreement dated December 2, 2010 entered into among CRSC Corporation Group, SINOMACH, CCT Group, CRHC and CICC Jiacheng, our Company was established as a joint stock company on December 29, 2010. For details about the establishment and the promoters, please refer to the subsections headed "— Our History" and "— Background of Our Existing Shareholders" in this section.

The following chart sets out the shareholding structure of our Group immediately upon completion of the Reorganization[(1)]:



Notes:

(1) For the completed corporate structure of our Group as of the Latest Practicable Date, please refer to the subsection "— Corporate Structure" in this section.

(2) At that time, the remaining 10.55%, 5.41%, 10.05% and 7.66% of the equity interest in CRSCS were held by Suzhou Lida Baisheng Investment Co., Ltd, Shanghai Suwei Communication Technology Co., Ltd, Shanghai Tangsheng Investment Co., Ltd and Jiangsu Zhongtian Technologies Co., Ltd, respectively, all of which were Independent Third Parties.

(3)-(5) For further information about their other shareholders, please refer to the subsection headed "— Reorganization" in this section.

Our PRC legal adviser has confirmed that, as of the Latest Practicable Date, our Company has obtained all necessary approvals with respect to the Reorganization from relevant government authorities and the Reorganization has been legally completed.

RETAINED BUSINESS AND NON-COMPETITION

The main businesses of our Group include the design and integration, equipment manufacturing and system implementation of rail transportation control systems. The retained business of CRSC Group mainly includes producing components (such as transformer, coil and wire cable) and providing logistics services for our Group and providing property leasing services. The main businesses of our Group and the retained businesses of CRSC Group are distinctive from each other and with different focuses. Our Company believes that our Group and CRSC Group have no existing or potential business competition. For further details, please refer to the section headed "Relationship with Our Controlling

Shareholder — Delineation of Business and Competition" in this prospectus. In addition, we entered into non-competition undertaking with CRSC Corporation Group on July 20, 2015, pursuant to which, the CRSC Corporation Group undertakes to take certain measures to restrict the potential competition between our Group and CRSC Group. For further details, please refer to the section headed "Relationship with Our Controlling Shareholder — Non-Competition Undertaking" in this prospectus.

INCREASE OF REGISTERED SHARE CAPITAL

On December 6, 2013, CRSC Corporation Group, SINOMACH, CCT Group, CRHC and CICC Jiacheng increased the registered share capital of our Company from RMB4,500 million to RMB7,000 million on a pro-rata basis.

Save as disclosed above, as of the Latest Practicable Date, there is no other change in the registered share capital of the Company after the Reorganization.

Our PRC legal adviser has confirmed that, as of the Latest Practicable Date, our Company has obtained all necessary approvals from relevant authorities for increase of registered share capital, and the increase of registered share capital has been legally completed.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

Major Acquisitions

Set out below is a table summarizing the major acquisitions completed by our Company during the Track Record Period:

No.	Transaction	Date of transaction agreement	Transferor	Approximate amount and basis of consideration (RMB)	Consideration settling method and time	Reason for and importance of transaction
1.	Acquisition of 70% of the equity interests in Zhejiang Wanquan Signal & Equipment Co., Ltd. (浙江萬全信號設備有限公司) (namely our subsidiary CRSC Wanquan) by way of capital increase and share expansion	September 27, 2013	Zhao Zhengping (趙正平), Wu Jiang (吳江); both are Independent Third Parties	120 million; based on estimated value of net assets	In cash; December 26, 2013	Extending the industry chain, obtaining technology and industrialization ability of modern tram control system

No.	Transaction	Date of transaction agreement	Transferor	Approximate amount and basis of consideration (RMB)	Consideration settling method and time	Reason for and importance of transaction
2.	Acquisition of 79.65% of the equity interests in Guizhou Construction Group Ninth Construction Engineering Company Limited (貴州建工集團第九建築工程有限責任公司) (namely our subsidiary CRSC Guizhou Construction) by way of capital increase and share expansion[(1)]	December 12, 2013 and December 10, 2014	Guizhou Construction Engineering Group (貴州建工集團有限公司); Independent Third Party	398 million; based on estimated value of net assets	In cash; December 27, 2013	Establishing a platform for general project management business
3.	Acquisition of 60% of the equity interests in Zhengzhou Railway Zhongan Engineering Co., Ltd (鄭州鐵路中安工程實業有限公司) (namely our subsidiary CRSC Zhengzhou Zhongan) by way of capital increase and share expansion	August 7, 2014	Wei Zhongan (魏中安); Independent Third Party	154 million; based on estimated value of net assets	In cash; August 15, 2014	Strengthening railway electrification engineering operation capacity, improving the structure of industry chain
4.	Acquisition of 1% of the equity interest in CRSC CASCO	December 5, 2014	Alstom (China) Investment Co., Ltd; has become a connected person after the acquisition	15 million; based on estimated value of net assets	In cash; December 31, 2014 and April 23, 2015	Developing urban transit business

Note:

(1) In January 2015, our Company entered into a share transfer agreement with Guizhou Construction Engineering Group, pursuant to which, our Company acquired an additional 10.35% equity interest in CRSC Guizhou Construction. For details, please refer to the section headed "— Our Principal Subsidiaries".

Our PRC legal adviser has confirmed that as of the Latest Practicable Date, we have obtained all necessary approvals from relevant authorities for the aforementioned major acquisitions, and the aforementioned major acquisitions have been legally completed.

Major Disposal

No.	Transaction	Date of transaction agreement	Transferee	Approximate amount and basis of consideration (RMB)	Consideration settling method and time	Reason for and importance of the transaction
1.	Disposal of the buildings of CRSCD	November 21, 2014	Postal Savings Bank of China Beijing Branch; Independent Third Party	1,576 million; based on estimated value of net assets	In cash; December 4, 2014	Disposal of idle assets to optimize the structure of the assets of the Group, and to improve the utilization efficiency of the capital

Our PRC legal adviser has confirmed that as of the Latest Practicable Date, we have obtained all necessary approvals from relevant authorities for the aforementioned major disposal, and the aforementioned major disposal has been legally completed.

Major Merger

Our Company has no major merger during the Track Record Period.

PROPOSED ACQUISITION

Pursuant to, among other things, the shareholder's resolution of Zhengzhou Zhongyuan dated December 25, 2014 and the confirmation letter dated March 14, 2015 entered into by the Company, Henan Zhongyuan and Zhengzhou Zhongyuan, Henan Zhongyuan agreed to the Company's proposed acquisition of 65% of the enlarged share capital in Zhengzhou Zhongyuan by way of capital increase (the "Proposed Acquisition"). Prior to the Proposed Acquisition, Henan Zhongyuan was the sole shareholder of Zhengzhou Zhongyuan. On May 16, 2015, our Company and Henan Zhongyuan entered into a capital contribution agreement, pursuant to which our Company and Henan Zhongyuan agreed to increase the registered share capital of Zhengzhou Zhongyuan to RMB500.0 million, with each of our Company and Henan Zhongyuan having a contribution of RMB325.0 million and RMB175.0 million, respectively. Upon completion of the Proposed Acquisition, the Company and Henan Zhongyuan will hold 65% and 35% of the equity interest in Zhengzhou Zhongyuan, respectively. As of the Latest Practicable Date, the Company has neither made the capital contribution nor acquired control over 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 of the Proposed Acquisition and the waiver, please refer to the sections headed "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" and "Financial Information — Proposed Acquisition" in this prospectus.

PRE-IPO INVESTMENTS, OPTIONS, WARRANTS AND CONVERTIBLE BONDS

As of the Latest Practicable Date, our Company has not received any pre-IPO investment nor granted any option, warrant or convertible bond.

BACKGROUND OF OUR EXISTING SHAREHOLDERS

CRSC Corporation Group

On May 8, 1981, the establishment of CRSC Corporation Group was approved by MOR, and on January 7, 1984, CRSC Corporation Group was registered as an enterprise owned by the whole people. CRSC Corporation Group is our sole Controlling Shareholder and one of our promoters. CRSC Corporation Group is a wholly state-owned enterprise, principally engaging in, among other things, manufacturing accessory parts, providing services for our Group and providing property leasing services. As of the Latest Practicable Date, its registered share capital was approximately RMB2,694 million.

SINOMACH

SINOMACH is one of our promoters, and was established on May 21, 1988. SINOMACH is a wholly state-owned enterprise, principally engaging in, among other things, the contracting of domestic and overseas large sets of equipments and engineering projects, organizing the R&D of major technical equipments, manufacturing and sales of scientific research products in relevant industries. As of the Latest Practicable Date, its registered share capital was RMB13,000 million.

CCT Group

CCT Group is one of our promoters, and was established on January 22, 1998. CCT Group is a wholly state-owned enterprise, principally engaging in, among other things, asset operation and management, integrated logistics service, trading of production materials as well as manufacturing, developing and utilizing of forestry-pulp-paper. As of the Latest Practicable Date, its registered share capital was approximately RMB9,380 million.

CRHC

CRHC is one of our promoters, and was established on December 1, 2010. CRHC is a wholly state-owned enterprise, principally engaging in, among other things, state-owned asset operation and management, state-owned equity interests operation and management, entrusted management, capital operations as well as investment and consultation services for conducting the aforesaid businesses. As of the Latest Practicable Date, its registered share capital was RMB11,500 million.

CICC Jiacheng

CICC Jiacheng is one of our promoters of our Company and was established on October 26, 2007. CICC Jiacheng principally engages in, among other things, industrial investment, investment management and investment consultation. As of the Latest Practicable Date, its registered share capital was approximately RMB410 million. CICC Jiacheng is wholly owned by China International Capital Corporation Limited (中國國際金融有限公司).

OUR PRINCIPAL SUBSIDIARIES

To enhance our ability to provide one-stop systematic and specialized services to customers in all kinds of rail control system solutions, we establish our corporate structure in accordance with different segments of the industry's value chain and our business. As of the Latest Practicable Date, we had 65 subsidiaries, two joint ventures and eight Associate Companies, among which, the subsidiaries directly owned by us (the "Tier 1 Subsidiaries") are our principal subsidiaries. As of the Latest Practicable Date, we directly held 19 Tier 1 Subsidiaries, details of which were as follows:

No.	Name of subsidiaries	Place of incorporation	Date of incorporation	Registered share capital (approximate RMB million)	Percentage of shares held by our Company	Principal business
1.	CRSCD[(1)]	PRC	November 18, 1994	1,332.5	100.0%	Design of railway communication, protection, signal, electric power and auxiliary works; engineering survey and geological investigation within designed scope; architectural engineering design; technical development, test and installation of system integration
2.	CRSCE[(2)]	PRC	September 10, 2012	201.5	100.0%	General project management; specialized contracting; engineering design; sale of metal products, building materials, electronic products and mechanical equipment; services related to computer system

No.	Name of subsidiaries	Place of incorporation	Date of incorporation	Registered share capital (approximate RMB million)	Percentage of shares held by our Company	Principal business
3.	CRSCS[3]	PRC	August 21, 1984	338.1	100.0%	System integration, engineering contracting, survey, design, consultation service and technical training of communication, signal, information networks, electric power and railway electrical works; design, construction and maintenance of public security precaution works and lightning protection works; computer software development; contracting of overseas telecommunications and railway electrical works and domestic projects under international tender
4.	CRSC Innovation Investment[13]	PRC	September 21, 2012	1,000.0	100.0%	Project investment; project management; asset management; investment consultation
5.	CRSCIC[4]	PRC	October 5, 1992	232.7	100.0%	Technical development and technical service for communication information system integration; sale of qualified new products, security devices, luggage inspection equipment, security gate, detector for explosives and drugs, liquid safety detector; general construction contracting; intelligent building engineering design and construction
6.	CRSC Beijing Industry[5]	PRC	December 29, 2014	1,400.0	100.0%	Entrusted processing of special equipment and devices, accessories, electrical machinery and equipment for railways and urban rail transit; system integration; software development; sale of software, instruments and meters and communication equipment; import and export of technologies; import and export of goods; technical development, technical service, technical consultation, technology transfer; product design; specialized contracting
7.	CRSC Xi'an Industry[6]	PRC	December 30, 2014	900.0	100.0%	R&D, sale, lease, maintenance, technical consultation services and technology transfer of rail transportation control basic equipment, rail transportation information basic equipment and rail transportation electric power basic equipment; rail transportation basic equipment system integration; import and export of cargoes and technology; plant rental
8.	CRSC Cables[7]	PRC	March 13, 2014	347.5	100.0%	Sale of cables, electrical appliances and equipment; R&D and application of high-tech materials and equipment

No.	Name of subsidiaries	Place of incorporation	Date of incorporation	Registered share capital (approximate RMB million)	Percentage of shares held by our Company	Principal business
9.	CRSC International[13]	PRC	December 23, 2011	120.0	100.0%	Project investment; technical development, technical generalization and technical service; general construction contracting, specialized contracting; sale of mechanical equipment and software; import and export of goods; import and export of technologies; acting as an agency for import and export
10.	CRSC BECC	PRC	May 6, 2010	100.0	100.0%	Urban rail transit technical development, consultation and service; specialized contracting; general project management; sale of mechanical and electrical equipment, computer software and auxiliary equipment; engineering investigation and design; design, integration, installation, commissioning and management of computer system
11.	CRSC Changsha Railway[13]	PRC	March 17, 2014	300.0	100.0%	Manufacture, construction and installation of rail transportation control products; electric power engineering; electrification engineering; mechanical and electrical installation engineering; R&D of rail transportation control technology
12.	CRSCM[13]	PRC	May 22, 2013	100.0	100.0%	Construction project management; sale of equipment in communication, signal, electric power and automatic control, minerals, coal, coke, chemical products, grain, metal materials, building materials, mechanical equipment, electrical apparatus, wires and cables, electronic products, stationery and furniture; warehousing service; lease of machinery and electronic equipment
13.	CRSC Asset[13]	PRC	June 17, 2013	100.0	100.0%	Property management; engineering investigation and design; labor subcontracting; urban landscaping construction; asset management; business management; economic information consultation; car rental; office equipment lease; undertaking of exhibitions; corporate image design; conference service; labor dispatch; sale of daily necessities
14.	CRSC Inspection[13]	PRC	October 29, 2014	50.0	100.0%	Technical detection
15.	CRSC Guizhou Construction[8]	PRC	June 18, 1985	500.0	90.0%	Contracting and specialized contracting house construction, public utilities and electromechanical equipment installation

No.	Name of subsidiaries	Place of incorporation	Date of incorporation	Registered share capital (approximate RMB million)	Percentage of shares held by our Company	Principal business
16.	CRSC Wanquan[9]	PRC	March 18, 1996	84.3	70.0%	Manufacture, installation, construction and technical service of communication and signal automatic equipment, electronic and electrical equipment; manufacture of tramcars; system integration
17.	CRSC Vehicle[10]	PRC	January 9, 2015	342.0	66.0%	Design, manufacture, sale, service and training of tramcars, light rail vehicles and pipe fittings
18.	CRSC Zhengzhou Zhongan[11]	PRC	July 7, 1997	125.0	60.0%	Railway engineering general project management, sale of railway electrical engineering, railway electrified engineering, telecommunication engineering, hardware and building materials, mechanical and electrical products, steel materials and chemical products; cargo transport and technical consultation service; communication; power transmission and distribution project
19.	CRSC CASCO[12]	PRC	March 5, 1986	200.0	51.0%	Design, integration and contracting of communication signal works; R&D, production and sale of communication signal equipment and the related ancillary equipment

Notes:

(1) In November 2014, our Company and CRSCD entered into a share transfer agreement, pursuant to which, our Company injected 100% of the equity interests in CRSC Beijing Consultant into CRSCD, one of our Tier 1 Subsidiaries. After completion of this transfer, CRSC Beijing Consultant changed from a Tier 1 Subsidiary to a subsidiary that is indirectly owned by us (the "Tier 2 Subsidiary"). In December 2014, our Company and CRSCD entered into a share transfer agreement, pursuant to which, our Company injected 100% of the equity interests in CRSC Signal & Communication into CRSCD. After completion of this transfer, CRSC Signal & Communication changed from a Tier 1 Subsidiary to a Tier 2 Subsidiary.

(2) In September 2012, our Company established CRSCE, a Tier 1 Subsidiary, and injected certain assets including 100% of the equity interests in CRSCE Tianjin Tongze into CRSCE as capital contribution. After completion of this transfer, CRSCE Tianjin Tongze changed from a Tier 1 Subsidiary to a Tier 2 Subsidiary.

(3) In November 2012, our Company entered into share transfer agreements with Suzhou Lida Baisheng Investment Co., Ltd, Shanghai Tangsheng Investment Co., Ltd, Jiangsu Zhongtian Technologies Co., Ltd and Shanghai Suwei Communication Technology Co., Ltd, respectively, pursuant to which, our company acquired an aggregate of 33.67% of the equity interests in CRSCS from the above shareholders at a total consideration of approximately RMB75.89 million. After completion of this transfer, CRSCS changed from a non wholly-owned Tier 1 Subsidiary to a wholly-owned Tier 1 Subsidiary. In December 2013, our Company entered into a share transfer agreement with CRSCS, pursuant to which, our Company injected 100% of the equity interests in CRSC Corporation Jinan Engineering Co., Ltd. into CRSCS. After completion of this transfer, CRSC Corporation Jinan Engineering Co., Ltd. changed from a Tier 1 Subsidiary to a Tier 2 Subsidiary.

(4) In June 2011, our Company approved the injection of 100% of the equity interests in Zhongtong Guohua (Dafeng) Investment Co., Ltd. into CRSC Guo Tie Hua Chen, upon completion of which, Zhongtong Guohua (Dafeng) Investment Co., Ltd. changed from a Tier 1 Subsidiary to a Tier 2 Subsidiary. In May 2013, our Company restructured CRSC Guo Tie Hua Chen to CRSCIC, and injected certain assets, including 69.8% of the equity interests in BNSC and 100% of the equity interests in CRSCIC Shanghai Technologies, into CRSCIC as its capital contribution in December 2013 and March 2014, respectively. After completion of these transfer, CRSCIC Shanghai Technologies and BNSC changed from Tier 1 Subsidiaries to Tier 2 Subsidiaries. In August 2014, CRSCIC and Shanghai Tailian Digital Technology Co., Ltd. (上海鈦聯數字技術有限公司), an Independent Third Party, entered into a share transfer agreement, pursuant to which, CRSCIC transferred 100% of the equity interests in Zhongtong Guohua (Dafeng) Investment Co., Ltd. to Shanghai Tailian Digital Technology Co., Ltd. at a consideration of approximately RMB6.2 million. Upon completion of this transfer, Zhongtong Guohua (Dafeng) Investment Co., Ltd. has no longer been a subsidiary of our Company.

(5) In March 2015, our Company entered into share transfer agreements with CRSC Beijing Industry, pursuant to which, our Company injected 100% of the equity interests in BRSC, CRSC Shanghai and CRCEF into CRSC Beijing Industry respectively. Upon completion of these transfers, BRSC, CRSC Shanghai and CRCEF changed from Tier 1 Subsidiaries to Tier 2 Subsidiaries.

(6) In April 2015, our Company entered into share transfer agreements with CRSC Xi'an Industry, pursuant to which, our Company injected 100% of the equity interests in TRSC, CRSC Shenyang and CRSC Xi'an into CRSC Xi'an Industry respectively. Upon completion of these transfers, TRSC, CRSC Shenyang and CRSC Xi'an changed from Tier 1 Subsidiaries to Tier 2 Subsidiaries.

(7) In March 2014, our Company established CRSC Cables, a Tier 1 Subsidiary, and transferred 100% of the equity interests in CRSC Jiaozuo Cable and CRSC Tianshui Cable to CRSC Cables. After completion of these transfer, CRSC Jiaozuo Cable and CRSC Tianshui Cable changed from Tier 1 Subsidiaries to Tier 2 Subsidiaries.

(8) In December 2013 and December 2014, our Company entered into a strategic cooperation agreement and a capital increase and share expansion agreement with Guizhou Construction Engineering Group, respectively, pursuant to which, our Company acquired approximately 79.65% of the equity interests in CRSC Guizhou Construction. For details, please refer to the subsection headed "— Major Acquisitions" in this section. After completion of this acquisition, CRSC Guizhou Construction became a Tier 1 Subsidiary. In January 2015, our Company entered into a share transfer agreement with Guizhou Construction Engineering Group, pursuant to which, our Company acquired additionally 10.35% of the equity interests in CRSC Guizhou Construction. After completion of this transfer, the remaining approximately 10.0% of the equity interests in CRSC Guizhou Construction is held by Guizhou Construction Engineering Group, which is an Independent Third Party.

(9) In September 2013, our Company entered into a capital increase and share expansion agreement with Wu Jiang and Zhao Zhengping, pursuant to which, our Company acquired 70% of the equity interests in CRSC Wanquan. After completion of this acquisition, CRSC Wanquan became a Tier 1 Subsidiary. For details, please refer to the subsection headed "—Major Acquisitions" in this section. The remaining 12% and 18% of the equity interests in CRSC Wanquan are held by Wu Jiang and Zhao Zhengping, respectively, both of whom are Independent Third Parties.

(10) In July 2014, our Company, INEKON Group, a.s. and Xiangtan Electric Manufacturing Group Co., Ltd (湘電集團有限公司) entered into a shareholders' agreement, pursuant to which, our Company, INEKON Group, a.s. and Xiangtan Electric Manufacturing Group Co., Ltd jointly established CRSC Vehicle with a total registered share capital of RMB342 million, and holds 66%, 17% and 17% of the equity interests in CRSC Vehicle, respectively. After completion of this establishment, CRSC Vehicle became a Tier 1 Subsidiary. The remaining 17% and 17% of the equity interests in CRSC Vehicle are held by INEKON Group, a.s. and Xiangtan Electric Manufacturing Group Co., Ltd, respectively, both of which are Independent Third Parties.

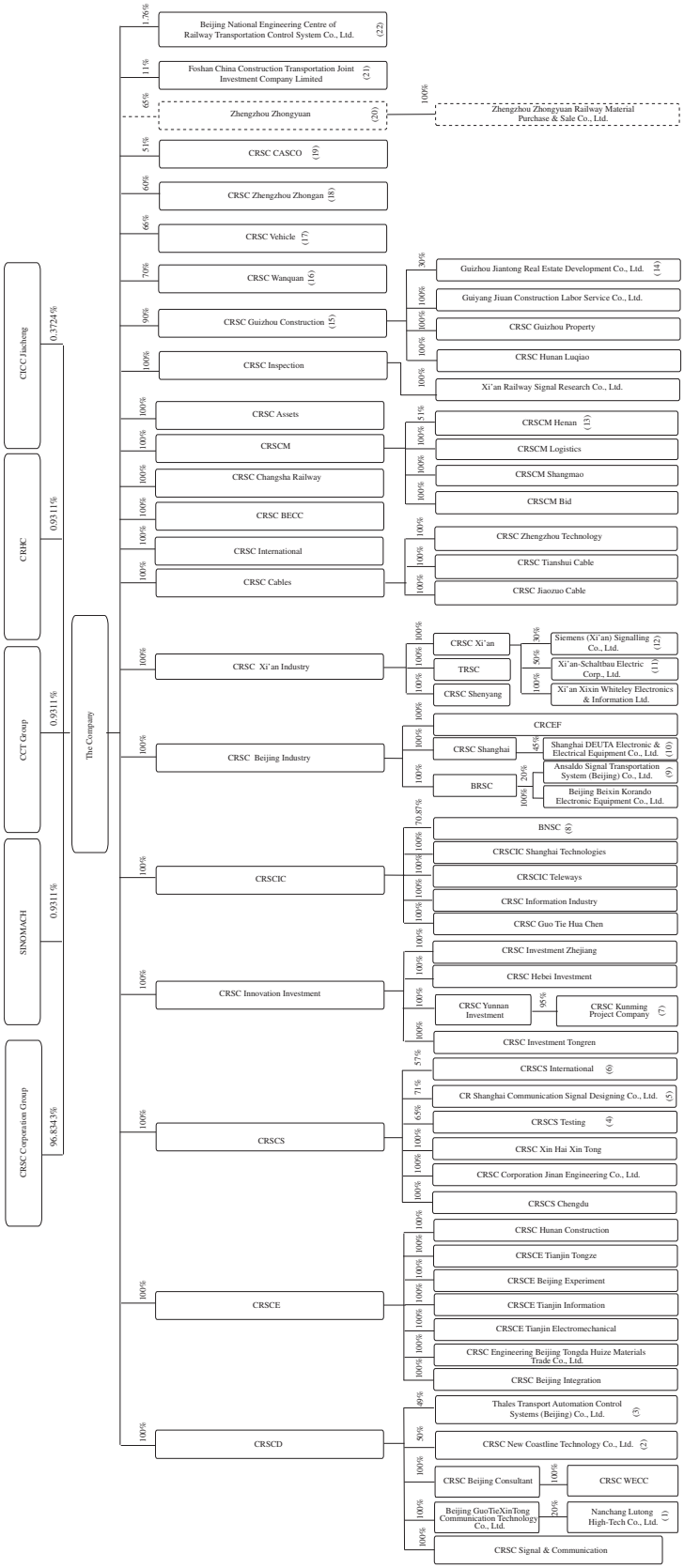
(11) In August 2014, our Company and CRSC Zhengzhou Zhongan entered into a capital increase and share expansion agreement, pursuant to which, our Company acquired 60% of the equity interests in CRSC Zhengzhou Zhongan. For details, please refer to the subsection headed "— Major Acquisitions" in this section. After completion of this acquisition, CRSC Zhengzhou Zhongan became a Tier 1 Subsidiary. The remaining 40% of the equity interests in CRSC Zhengzhou Zhongan is held by Wei Zhongan, who is an Independent Third Party.

(12) In December 2014, our Company and Alstom (China) Investment Co., Ltd entered into a share transfer agreement, pursuant to which, our Company acquired additional 1% of the equity interest in CRSC CASCO. For details, please refer to the subsection headed "— Major Acquisitions" in this section. After completion of this acquisition, CRSC CASCO changed from a joint venture of our Company to a Tier 1 Subsidiary. In April 2015, Alstom (China) Investment Co., Ltd transferred 49% of the equity interests in CRSC CASCO to ALSTOM IC. After completion of this transfer, the remaining 49% of the equity interests in CRSC CASCO is held by ALSTOM IC, which has become a connected person of our Company.

(13) Relevant Tier 1 Subsidiaries are the wholly-owned subsidiaries of our Company that were newly established by us after completion of the Reorganization.

CORPORATE STRUCTURE

The following chart sets forth the shareholding and corporate structure of the Group as of the Latest Practicable Date:



Notes:

(1) The remaining 80% of the equity interests in Nanchang Lutong High Tech Co., Ltd. (南昌路通高新技術有限公司) is held by Nanchang Railway Bureau Inspection & Design Institute Co., Ltd. (南昌鐵路局勘測設計院有限責任公司), which is an Independent Third Party.

(2) The remaining 50% of the equity interests in CRSC New Coastline Technology Co., Ltd. (通號新岸線科技有限公司) is held by Guangdong New Coastline Computer System Chip Co., Ltd. (廣東新岸線計算機系統芯片有限公司), which is an Independent Third Party.

(3) The remaining 51% of the equity interests in 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) is held by Thales Safety Solution and Service Co., Ltd. (泰雷茲安全解決方案和服務公司), which is an Independent Third Party.

(4) The remaining 17.5% and 17.5% of the equity interests in CRSCS Testing are held by Shanghai Suwei Communication Technology Co., Ltd. (上海蘇威通信科技有限公司) and Jiangxi Huide Xinda Industrial Co., Ltd. (江西省匯德信達實業有限公司), respectively, both of which are Independent Third Parties.

(5) The remaining 29% of the equity interests in CR Shanghai Communication Signal Designing Co., Ltd (上海中鐵通信信號設計有限公司) is held by Shanghai Wangcheng Communication Technology Development Co., Ltd (上海網程通信科技發展有限公司), which is an Independent Third Party.

(6) The remaining 25%, 8% and 10% of the equity interests in CRSCS International are held by Shanghai Wangshi Industrial Co., Ltd. (上海王獅實業有限公司), Shanghai Nanmeng Industrial Co., Ltd. (上海南盟實業公司) and Shanghai Suwei Communication Technology Co., Ltd., respectively, all of which are Independent Third Parties.

(7) The remaining 5% of the equity interests in CRSC Kunming Project Company is held by NO. 1 Engineering Co., Ltd. of CR11BG (中鐵十一局集團第一工程有限公司), which is an Independent Third Party.

(8) The remaining 13.50% and 15.63% of the equity interests in BNSC are held by Zenitel Norway AS and Eltek AS, respectively, both of which are Independent Third Parties.

(9) The remaining 80% of the equity interests in Ansaldo Signal Transportation System (Beijing) Co., Ltd. (安薩爾多信號系統(北京)有限公司) is held by Ansaldo STS France, which is an Independent Third Party.

(10) The remaining 55% of the equity interests in Shanghai DEUTA Electronic & Electrical Equipment Co., Ltd. (上海德意達電子電器設備有限公司) is held by DEUTA GROUP GMBH, which is an Independent Third Party.

(11) The remaining 50% of the equity interests in Xian-Schaltbau Electric Corp., Ltd. (西安沙爾特寶電氣有限公司) is held by Schaltbau Holding AG, which is an Independent Third Party.

(12) The remaining 70% of the equity interests in Siemens Signalling Company Ltd. (西門子信號有限公司) is held by Siemens Ltd., China (西門子(中國)有限公司), which is an Independent Third Party.

(13) The remaining 9% and 40% of the equity interests in CRSCM Henan are held by Zhengzhou Zhengmao Science and Technology Co., Ltd. (鄭州正茂科技有限公司) and Zhengzhou Railway Coal Transportation and Marketing Co., Ltd. (鄭州鐵路煤炭運銷有限公司), respectively, both of which are Independent Third Parties.

(14) The remaining 70% of the equity interests in Guizhou Jiantong Real Estate Development Co., Ltd. (貴州建通房地產開發有限公司) is held by Guizhou Construction Engineering Group, which is an Independent Third Party.

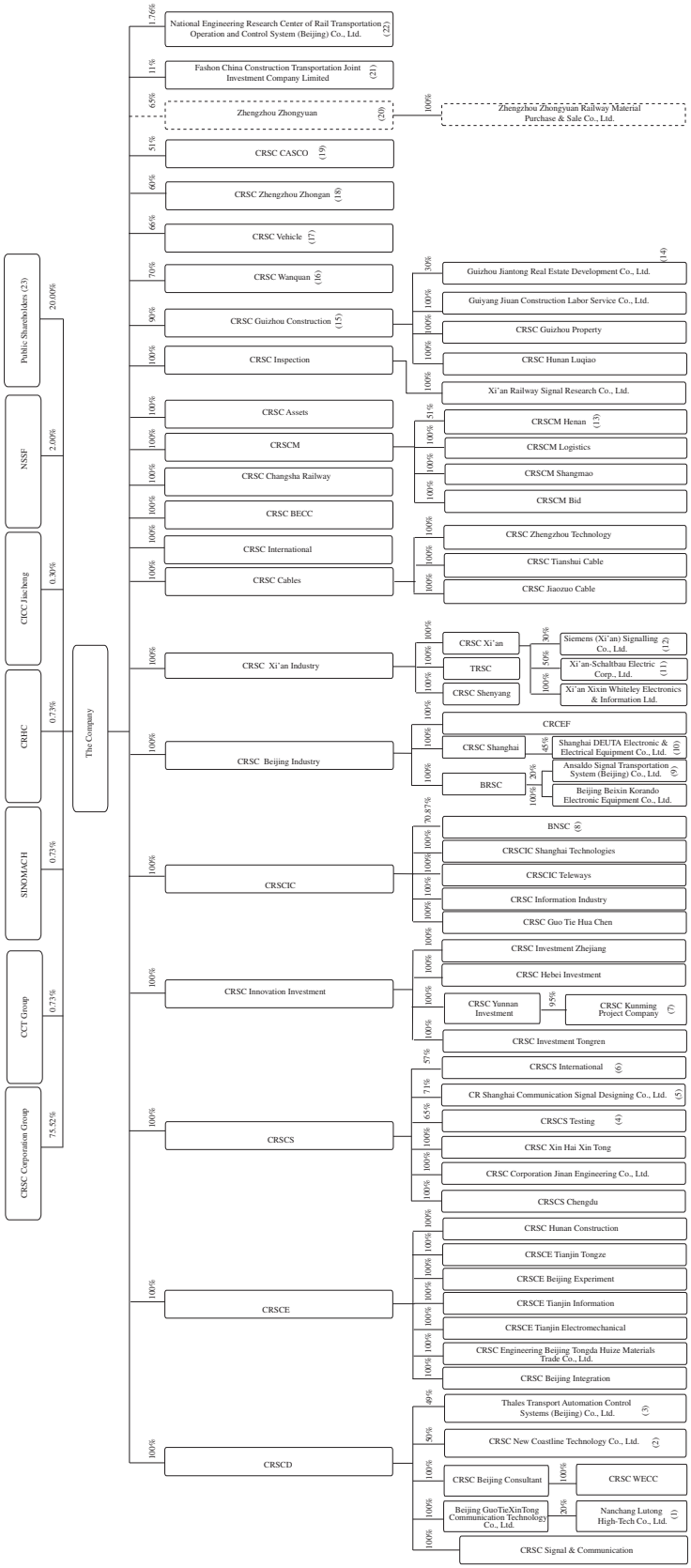
(15)-(19) Details of remaining shareholders of our Tier 1 Subsidiaries are set out in the subsection headed "—Our Principle Subsidiaries" in this section.

(20) For details about Zhengzhou Zhongyuan, please refer to the subsection headed "—Proposed Acquisition " in this section.

(21) The remaining 11%, 30% and 48% of the equity interests in Foshan China Construction Transportation Joint Investment Company Limited (佛山中建交通聯合投資有限公司) are held by Beijing E-hualu Info Technology Co., Ltd (北京易華錄信息技術股份有限公司), China State Construction Engineering Corporation (中國建築股份有限公司) and China Construction Communications Engrg. Group Corp. Ltd (中建交通建設集團有限公司), respectively, all of which are Independent Third Parties.

(22) The remaining 94.12%, 2.35% and 1.76% of the equity interests in National Engineering Research Center of Rail Transportation Operation and Control System (Beijing) Co., Ltd are held by China Railway Investment Co., Ltd, Beijing Jiaotong University and China Academy of Railway Sciences, respectively, all of which are Independent Third Parties.

The following chart sets forth the shareholding and corporate structure of the Group following the Global Offering, assuming no exercise of the Over-allotment Option:



Notes:

(1)-(22) For details, please refer to the sub-section headed "—Corporate Structure" under this section.

(23) This figure is subject to alteration as a result of the potential subscription by ALSTOM Holdings or its associates as referred to in the section headed "Waivers from Strict Compliance with the Hong Kong Listing Rules — Subscription of H Shares by Core Connected Person" in this prospectus.

OVERVIEW

We have been the largest rail transportation control system solution provider in the world in terms of revenue since 2009, according to the Sullivan Report. We have industry-leading design and R&D capabilities for rail transportation control system and the world-leading equipment manufacturing capability. We provide rail transportation control system products and services to our domestic and international customers. With relentless focus on technology at the core of our business, we had 700 registered patents and 186 pending patent applications as of the Latest Practicable Date, and had led the formulation of predominantly all industry standards for rail transportation control systems in the PRC.

We derive revenue mainly from the PRC. We are a pioneer and market leader in the PRC rail transportation control system industry and a key enterprise to ensure the safe and efficient operation of the PRC rail transportation. As of March 31, 2015, we were the sole supplier of the train dispatch and command system of the National Railway Dispatch and Command Center, and our control systems have been widely used in national railway network across the PRC. According to the Sullivan Report, as of December 31, 2014, we were the dominant market leader in terms of the cumulative contracted mileage of completed high-speed railway control system integration projects in the PRC. Our winning bids of such integration projects covered 65.2% of the completed mileage of high-speed railways in the PRC, across 22 provinces and municipalities. In particular, our winning bids of such integration projects covered 72.3% of the completed mileage of high-speed railways in the PRC with operating speed between 300 km/h and 350 km/h and 58.3% of the completed mileage of high-speed railways in the PRC with operating speed between 200 km/h and 250 km/h. In addition, our equipment for high-speed railway control system enjoys strong competitive advantages. Our train control systems have been used in railways in plateaus, frigid and high temperature areas, heavy-haul railways and other railway projects with demanding construction and operation conditions. We have extensive industry experience. As of December 31, 2014, we were the only rail transportation control system solution provider that had participated in all of the major high-speed railway projects and all the six major railway speed-upgrade projects in the PRC. We are also a leading player in the urban transit control system market in the PRC. According to the Sullivan Report, in terms of the total contract value between 2011 and 2014, we were the largest provider of urban transit control system solutions in the PRC, with a 40.1% share of urban transit control system market. As of December 31, 2014, in terms of mileage, our core rail transportation control system products and services covered 39.9% of the urban transit lines in operation and the control systems of which have been contracted to be built. In the railway sector, substantially all of our customers are CRC affiliated entities. In the urban transit sector, our customers are mostly metro operation companies controlled by the local governments.

With a strong focus on product design and R&D and through our "three-in-one" business model for rail transportation control system (that combines design and integration, equipment manufacturing and system implementation), we have become the only rail transportation control system solution provider in the world who is capable of independently providing the entire suite of products and services with competitive advantages across the industry value chain. We are able to provide equipment, services and technical support to our customers on system solutions, manufacturing,

equipment installation and debugging, network optimization, inspection and testing. We possess leading technologies, techniques and know-how in every segment of the rail transportation control system industry and have strong system integration capabilities. Our comprehensive offerings enable us to provide our customers with a complete and convenient one-stop solution, which reduces their construction, operation and management costs and mitigates the incompatibility risks of complex rail transportation connections. In turn, our one-stop solution business model enhances our ability to customize our products and services to address customers' needs and become more competitive in bidding for new projects. In addition, our business model also promotes the synergies among our individual business lines, reduces our marketing costs and lays a solid foundation for us to develop our maintenance and upgrade services after our systems and equipment are put into operation.

We have the following three main business lines:

- *Design and integration*: We provide engineering design and system integration services for rail transportation control system projects. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our revenue generated from the design and integration business was RMB3,551.2 million, RMB3,478.6 million, RMB4,908.8 million and RMB1,346.4 million, respectively, representing 33.7%, 26.6%, 28.3% and 28.3% of the total revenue for the same periods;

- *Equipment manufacturing*: We manufacture and sell signal system products, communication information system products and other products. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our revenue generated from the equipment manufacturing business was RMB4,157.7 million, RMB4,960.9 million, RMB5,870.7 million and RMB1,730.0 million, respectively, representing 39.4%, 38.0%, 33.9% and 36.4% of the total revenue for the same periods; and

- *System implementation*: We provide construction, installation, testing, maintenance services for rail transportation control system projects. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our revenue generated from the system implementation business was RMB2,842.0 million, RMB4,167.9 million, RMB5,368.0 million and RMB1,255.4 million, respectively, representing 26.9%, 31.9%, 31.0% and 26.4% of the total revenue for the same periods, respectively.

Our products and services are mainly applied in the following markets:

- *Domestic railway control system*: For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our revenue generated from the railway control system market was RMB8,740.6 million, RMB10,279.8 million, RMB13,642.0 million and RMB3,497.7 million, respectively, representing 82.8%, 78.7%, 78.8% and 73.5% of our revenue for the same periods;

- *Domestic urban transit control system*: For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our revenue generated from the urban transit control system market was RMB1,696.1 million, RMB1,985.0 million, RMB1,928.8 million and RMB788.2 million, respectively, representing 16.1%, 15.2%, 11.1% and 16.6% of our revenue for the same periods; and

- *Overseas*: For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our revenue generated from the overseas market was RMB114.3 million, RMB342.6 million, RMB576.7 million and RMB46.0 million, respectively, representing 1.1%, 2.6%, 3.3% and 1.0% of our revenue for the same periods, respectively.

We possess world-class R&D capabilities and state-of-the-art technologies, including the CTCS-3 technology, CBTC technology, track circuit transmission technology, CIPS technology and MATC technology. According to the Sullivan Report, our products were widely applied in China high-speed railway network, which was the world's largest network by the end of 2014. The high-speed railways in China are operated at a speed of over 300km/h, which has extremely high technical requirements on railway control system. According to the Sullivan Report, with capability to develop and manufacture all key equipment of CTCS-3, our self-developed technologies have reached the same level of sophistication as the technologies developed by our European peers, which represent the most advanced technology in the world nowadays. We have been investing substantial resources to enhance our R&D capabilities and been devoted to technical innovation and advanced product development of the rail transportation control systems. As of the March 31, 2015, we had two ministry-level engineering technology research centers, 11 provincial enterprise technology centers and four academician workstations. We also had 61 R&D laboratories, among which we had two CRTCC authorized laboratories, four CNAS certified laboratories and five CMA certified laboratories. We are the authorized reviewer of rail transportation control system equipment modes, technology standards and product standards in the PRC. As of March 31, 2015, with respect to the technology standards in effect, we had led the formulation and revision of 199 system and product standards, including 12 national standards and 183 industry standards. We had also led the formulation and revision of 18 engineering construction standards, including 4 national standards and 14 industry standards. As to applied technologies used in rail transportation signals, where we are a market leader, we had developed 9 out of the 13 national standards and 91 out of the 159 industry standards. As of the Latest Practicable Date, we had 700 registered patents and 186 pending patent applications in the PRC. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our R&D expenses were RMB443.7 million, RMB585.2 million, RMB749.9 million and RMB151.0 million, respectively, representing 4.2%, 4.5%, 4.3% and 3.2% of our total revenue for the same periods.

According to the Sullivan Report, the PRC is the largest rail transportation control system market in the world by the end of 2014. With the continued substantial investment by the PRC government and the future maintenance and upgrade demand of the existing lines, the PRC rail transportation control system market will continue to grow rapidly and maintain its leading position in the world.

Since our establishment in 1953, we have been an important player in the PRC rail transportation industry and have established solid relationships with our customers over decades. Our extensive industry experience, high-quality products and services, as well as our customized and one-stop solution capability, have earned us trust from our customers. The rail transportation control system industry enjoys a high level of customer loyalty. The customers have stringent requirements for safety, reliability, integrity and compatibility for our products and services. Building on our strong customer base and our significant first-mover advantage, we have managed to establish and maintain an unparalleled leading market position in the PRC rail transportation control system market.

We have been actively developing our overseas business. During the Track Record Period, we had provided products and services to over ten countries and regions where we participated in the construction and upgrade of railway and urban transit control systems. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our revenue generated from the overseas market was RMB114.3 million, RMB342.6 million, RMB576.7 million and RMB46.0 million, respectively, representing 1.1%, 2.6%, 3.3% and 1.0% of our revenue for the same periods.

Our revenue was RMB10,550.9 million, RMB13,064.6 million and RMB17,328.6 million for the years ended December 31, 2012, 2013 and 2014, respectively, representing a CAGR of 28.2%. Our net profit for the same periods was RMB1,087.3 million, RMB1,238.9 million and RMB2,039.9 million, respectively, representing a CAGR of 37.0%. For the three months ended March 31, 2014 and 2015, our revenue was RMB3,346.6 million and RMB4,757.1 million, respectively, and our net profit was RMB393.0 million and RMB576.8 million, respectively.

COMPETITIVE STRENGTHS

We believe we have benefited from, and will continue to benefit from the following competitive strengths:

We are the largest rail transportation control system solution provider in the world, and a key enterprise to ensure the safe and efficient operation of rail transportation in the PRC

We are a leader in the global rail transportation control system market. According to the Sullivan Report, we have been the largest rail transportation control system solution provider in the world in terms of revenue since 2009. By the end of 2014, in terms of the cumulative contracted mileage, we covered the longest mileage of completed high-speed railway lines in operation in the world.

We are a pioneer and a leader in the rail transportation control system industry in the world, and a key enterprise to ensure the safe and efficient operation of rail transportation in the PRC. According to the Sullivan Report, by the end of 2014, the PRC had the world's longest high-speed railway and urban transit in operation and the largest rail transportation control system market in the world. In terms of market value, in 2014, the PRC railway control system market accounted for 34.1% of the same market worldwide; the PRC high-speed railway control system market accounted for 77.8% of

the global market; and the PRC urban transit and modern tram control system market accounted for 29.2% of the global market. Our rail transportation control system solutions have a leading position in the PRC. According to the Sullivan Report, by the end of 2014, in terms of the cumulative contracted mileage of completed high-speed railway control system integration projects, our winning bids of such integration projects covered 65.2% of the completed mileage of high-speed railways in the PRC, making us the dominant industry player in the market. In particular, our winning bids of such integration projects covered 72.3% of the completed mileage of high-speed railways in the PRC with operating speed between 300 km/h and 350 km/h and 58.3% of the completed mileage of high-speed railways in the PRC with operating speed between 200 km/h and 250 km/h. Further, our core high-speed railway control system equipment, such as station computer-based interlocking systems, track circuit, automatic blocking systems, train control centers, railway ATP Onboard and RBC equipment, all possess lion market shares. Meanwhile, we are also a leader in the PRC urban transit control system market. According to the Sullivan Report, by the end of 2014, in terms of the total contract value between 2011 and 2014, we were the largest provider of urban transit control system solutions in the PRC. In terms of mileage, our core urban transit control system products and services covered 59 urban transit lines, accounting for 39.9% of the urban transit lines in operation and the control systems of which have been contracted to be built.

We have completed various "first in China" landmark projects and participated in high-speed railways, railways in plateaus, frigid and high temperature areas, heavy-haul railways and other railway projects under demanding construction and operation conditions. By the end of 2014, we were the only rail transportation control system solution provider that had participated in all of the major high-speed railway projects and all six major railway speed-upgrade projects in the PRC. In the urban transit control system market, we have successfully completed urban transit control system projects in more than ten cities, including Beijing, Tianjin, Shanghai and Guangzhou.

Our railway control system solution landmark projects include:

- Beijing-Shanghai High-Speed Railway — at the time of completion, the longest (over 1,300 km) high-speed railway built as a single project and with the highest design speed (380 km/h) in the world;

- Wuhan-Guangzhou High-Speed Railway — the world's first high-speed railway with an operating speed up to 350 km/h and the completed mileage of over 1,000 km;

- Harbin-Dalian High-Speed Railway — the world's first high-speed railway in frigid areas (operating at temperatures as low as minus 40 degrees Celsius), with over 900 km in operation;

- Qinghai-Tibet Railway — the world's longest railway in plateaus, operating at the highest altitude in the world;

- Datong-Qinhuangdao Railway — the first heavy-haul railway (with a designed loading capacity of over 10,000 tons per train) in the PRC;

- Shanghai-Nanjing Intercity High-Speed Railway — the first high-speed railway operated as an intercity transportation railway in the PRC with tremendously complex technology applications;

- Wuhan North Marshalling Yard — the world's largest comprehensive automatic marshalling yard; and

- Chengdu North Marshalling Yard — the world's first marshalling yard equipped with CIPS.

Our urban transit control system solution milestone projects include:

- Beijing Subway Line 1 — the first metro line in the PRC;

- Beijing Subway Line 2 — the first CBTC-based metro line that successfully operated in the PRC, with the designed interval between metro trains of 90 seconds and the shortest operation interval between metro trains currently in the PRC (110 seconds);

- Beijing Subway Line 6 — the first metro line with a comprehensive automatic control system in the PRC;

- Beijing Capital Airport Line — the first metro line with autopilot in the PRC;

- Dalian Express Line No. 3 — the first urban transit line in the PRC that used entirely domestic-manufactured control system equipment;

- Beijing Subway Line 8 — the first urban transit line that adopted the train control system developed by us;

- Kunming Metro Lines No. 1 and 2 First Phase — the first metro line in plateaus in the PRC;

- Beijing S1 Line Western Section Project — the first low-to-medium-speed maglev that used our self-developed train control technology in the PRC and the low-to-medium-speed maglev transportation model line approved by the PRC Government;

- Beijing Subway Line 10 — the first metro line in the PRC that adopted a wireless communication based automatic train control system; and

- Shenyang Hunnan New District Modern Tram Phase I Line No. 1, 2, 3 and 5 — the first lines that used the modern tram control system developed by us.

Our world-leading and comprehensive R&D capabilities and technologies have solidified our prominent position in the industry

Rail transportation control systems are at the core of all rail transportation systems and they are subject to stringent technical requirements. We have the world's leading R&D capabilities and technologies for rail transportation control systems. As of the Latest Practicable Date, we had 700 registered patents and 186 pending patent applications in the PRC. We have developed world-leading technologies that have been widely used in the PRC rail transportation control system market, such as CTCS-3 technology, urban transit CBTC technology, etc.

Since 1980, we have been the authorized reviewer of rail transportation control system equipment modes, technology standards and product standards in the PRC. With respect to published technology standards in effect as of March 31, 2015, we had led the formulation and revision of 199 system and product standards, including 12 national standards and 183 industry standards. As to applied technologies used in rail transportation signals, where we are a market leader, we had developed 9 out of the 13 national standards and 91 out of the 159 industry standards. We have played a dominant role in establishing some of the most important and cutting-edge standards for railway and urban transit control system in the PRC, such as the standards for CTCS and CBTC.

We have accumulated extensive experience and built a world-leading case database in terms of quantity and complexity. According to the Sullivan Report, the high-speed railway network in the PRC is the most extensive in terms of geographical coverage and has the most diverse operating conditions in the world. By leveraging our position in the Chinese high-speed railway market which has the highest growth rate, longest mileage coverage and most diverse operating conditions in the world, we have accumulated construction and operation experience in high-speed railway control systems that cover over 15,000 km of railways. In addition, our proprietary railway control system database has more than 12,000 test cases, as of March 31, 2015.

We have advanced R&D laboratories and testing facilities. As of March 31, 2015, we had 61 laboratories, supporting our product design, R&D, integration, testing and maintenance. Our laboratories are equipped with cutting-edge facilities in terms of their comprehensiveness and scale, and can conduct more than 14,400 holographic and panoramic simulation cases to test the safety features of our products and improve the design of these products before installation. As of March 31, 2015, our laboratories have obtained various well-recognized industry certifications, including:

- two CRTCC authorized laboratories: China Railway Signal & Communication Shanghai Telecommunication Testing Center (中國鐵路通信信號上海電信測試中心) and Signal Product Examination Station of the Product Quality Examination Center under the MOR, delegated by the CRTCC as its agents to provide certification services for certain rail transportation control system products;

- four CNAS certified laboratories: the CRSCD Testing Center, Signal Products Examination Station of the Product Quality Examination Center under the MOR, CASCO iCMTC Product Testing Laboratory CRSCE Beijing Experiment; and

- five CMA certified laboratories: the laboratories are able to issue third-party examination reports, and responsible for the supervision and sampling check of the railway industry, third-party product certification, sampling check of industrial products and entrusted inspection of railway products.

In addition, we also have two ministry-level engineering technology research centers, four academician workstations and 11 provincial enterprise technology centers responsible for the R&D of new rail transportation control system products, providing technology support to the maintenance and upgrade of existing products, the development of software and hardware platforms and modules, and the R&D of future technologies.

We have an outstanding R&D work force. As of March 31, 2015, we had 3,399 R&D staff, accounting for 23% of our total staff. Among our R&D staff, 25% hold a master or above degree; 494 hold advanced professional qualifications; 51 received the National Special Stipend from the State Council; 31 received the Zhan Tianyou Railway Science and Technology Award, among which one received the Zhan Tianyou Contribution Award and five received the Zhan Tianyou Achievement Award; and 38 received the Mao Yisheng Railway Engineer Award.

Our strategic coverage of rail transportation network in the PRC underpins our dominant market position and significant first-mover advantages, which enables us to benefit from the abundant market opportunities of the construction, maintenance and upgrade of the rail transportation control systems in the PRC

We have established comprehensive and strategic coverage of the rail transportation control system market in the PRC. We entered the rail transportation control system market in 1953 as the market pioneer in the PRC. According to the Sullivan Report, the PRC has the most efficient railway transportation system in the world. With the first-mover advantage built upon our extensive experiences on technologies and products cultivated over the years, we had accomplished our general strategic coverage of the railway market in the PRC by 2013. By the end of 2014, we were the sole supplier of the train dispatch and command system of the National Railway Dispatch and Command Center, and our core control systems were used in national railway network across the PRC, so to make the railways in the PRC the most efficient in the world. As of the end of 2014, in terms of the cumulative contracted mileage of completed high-speed railway control system integration projects, our winning bids of such integration projects covered 65.2% of the completed mileage of high-speed railways in the PRC, crossing 22 provinces and municipalities.

In the urban transit sector, our core control system products and services had been used in urban transit lines in operation and the control systems of which have been contracted to be built in 26 cities in 19 provinces and municipalities as of the end of 2014 in the PRC. These products and services had been used in 59 urban transit lines in cities such as Beijing, Shanghai, Shenzhen and Wuhan, and collectively covered 39.9% of the total mileage of urban transit lines in operation and the control system of which have been contracted to be built in the PRC.

CRSC Coverage for High-speed Railway Control Systems & Urban Transit Control System, as of the End of 2014



High-Speed Railway Lines (in operation and under construction) Integrated by Us

High-Speed Railway Lines (in operation and under construction) Covered by Our Control System Products

City with Urban Transit Lines Covered by Our Products

Railway Administrations Covered by Our Products

* This graph is to demonstrate the coverage of the Group's products and services, and it is not indicative as to whether the Group is the sole supplier for the high-speed railway lines or the urban transit lines in the covered cities.

Our strategic business layout allows us to benefit from the significant market opportunities of the upgrade and maintenance of rail transportation control systems in the PRC. For the control systems and equipment that are designed, integrated and manufactured by us, rail transportation operators rely on us for equipment repair and maintenance, especially for the complicated interconnecting lines or lines with sophisticated technical design and integration structure. Accordingly, we expect that the upgrade and after-sales maintenance of such control systems will be significant drivers of our future revenue growth. We believe we can benefit enormously from the construction, maintenance and upgrade cycle of rail transportation control systems and achieve sustainable growth by leveraging our accomplished nationwide coverage of railway network, close relationships with customers and extensive experience.

We have competitive advantages in providing new rail transportation control systems. Control systems are at the core of all rail transportation systems because they lay the foundation for the safety and efficiency of the entire railway network. Using the same transportation control systems for connected lines will improve the compatibility between transportation control systems and hence enhance the safety, reliability and efficiency of the entire rail transportation network. In the railway control system sector, the coverage and layout of our products and services in the major hubs and backbone lines of the Chinese railway network have paved the way for promoting our products and services throughout the entire railway network. Furthermore, our first-mover advantage and strategic coverage will enable our business expansion to benefit from network effects. During the Track Record Period, the significant majority of our revenue from railway sector came from the new construction market. In the new construction, maintenance and upgrade markets of the railway control system, projects are conducted through independent bidding process and contracts. Similarly, in the urban transit control system sector, with the demands on the connectivity expansion and operating efficiency of the urban transit networks, we also enjoy a first-mover advantage in projects for the construction and maintenance of urban transit control systems in the cities where we are currently present.

Benefiting from our first-mover advantage and nationwide coverage, we are able to continue to take advantage of opportunities in the rapid development of the PRC rail transportation industry. According to the Sullivan Report, with significant growth since 2008, the mileage of railway in operation in the PRC reached 112,000 km by the end of 2014, having grown at a CAGR of 5.5% from 2009 to 2014, out of which 16,000 km were high-speed railways having grown at a CAGR of 42.7% from 2009 to 2014. In addition, there were 2,700 km of urban transit in operation in the PRC by the end of 2014, having grown at a CAGR of 22.0% from 2009 to 2014. From 2012 to 2014, our revenue increased from RMB10,550.9 million to RMB17,328.6 million, representing a CAGR of 28.2%. Our net profit increased from RMB1,087.3 million to RMB2,039.9 million for the same periods, representing a CAGR of 37.0%.

According to the Sullivan Report, the future growth of the mileage of railway in operation in the PRC is expected to be driven by further expansion and upgrade of the railway network, reaching 158,400 km by 2020 and the mileage of high-speed railway in operation in the PRC is estimated to reach 40,100 km, while the mileage of intercity railway is expected to reach 18,200 km. According to the Sullivan Report, in 2014, the PRC had the largest railway control system market in the world.

Taking into account the continued substantial investment in railways by the PRC government and the future maintenance and upgrade demands of the large number of existing lines, it is anticipated that the PRC will continue to maintain its leading position in the global railway control system market. In addition, according to the Sullivan Report, it is estimated that the mileage of urban transit in operation in the PRC will reach 9,600 km by 2020, also being the largest market in the world. The rapid development of rail transportation in the PRC will create significant market opportunities, which in turn will drive up the demand for rail transportation control systems. As one of the biggest beneficiaries of the rapid growth of the domestic rail transportation control system market, we believe that we will continue to capitalize on the favorable development trend in the PRC rail transportation industry to achieve robust growth.

As a leader in providing specialized one-stop solutions in the rail transportation control system industry, we are the only company in the world that can independently provide an entire suite of products and services covering the whole industry value chain

Through our "three-in-one" business model, we are able to provide rail transportation control system design and integration, equipment manufacturing and system implementation services. We are the only company in the world that can independently provide an entire suite of products and services that cover the whole rail transportation control system industry value chain. We possess world-leading technologies, techniques and know-how in all segments of the rail transportation control system industry:

- According to the Sullivan Report, we are a leading rail transportation control system design and integration service provider in the PRC. Our design and integration services are widely used in various railway and urban transit projects nationwide, including some of the most significant projects in the history of PRC rail transportation development, such as the Beijing-Shanghai High-Speed Railway, the Beijing-Tianjin High-Speed Railway, the Wuhan-Guangzhou High-Speed Railway and the Harbin-Dalian High-Speed Railway. Projects that we designed and integrated received various national and ministry-level technology prizes, such as the "First Prize for the National Construction Project Outstanding Design Achievement Award" in 2013; the "Grand Prize for MOR Excellent Design Award" in 2011 to 2012 and the "First Prize for the Outstanding Railway Engineering Survey and Design Award" in 2007;

- Our technical strengths cement our position as the largest rail transportation control system equipment manufacturer in the PRC. We are the only manufacturer capable of independently producing the entire suite of rail transportation control system core products in the PRC. Based on our world-leading R&D capability, our rail transportation control system core products, such as computer-based interlocking systems, track circuit, automatic blocking systems, train control centers, railway ATP Onboard and RBC equipment, are highly competitive in the market. Some of our products, such as computer-based interlocking hardware equipment, AX series relays, track circuit, jointless frequency shift automatic blocking systems, CTC high-speed railway control system equipment, railway

ATP Onboard and station train control center equipment, have been applied to all or substantially all of domestic high-speed railways. According to the Sullivan Report, as of December 31, 2014, our RBC equipment, the core equipment for high-speed railway control systems that operate at the speed of over 300 km/h, had been used in 90.0% of completed high-speed railways in the PRC in terms of mileage. Our track circuit, computer-based interlocking and train control center were used in more than 80.0% of completed high-speed railways; and in particular, our track circuit was used in 100.0% of completed high-speed railways;

- We have specialized system implementation service capabilities and extensive construction experience. We have received a number of prizes for the high-quality construction projects that we undertook, including China Construction Engineering Luban Awards (National High-quality Projects), China Civil Engineering Zhan Tianyou Awards, 16 National High-quality Project Awards as well as 32 ministry-level high-quality project awards.

Our "three-in-one" business model has significant advantages. Leveraging our design and integration capabilities, we provide rail transportation control system solutions to customers as well as a full suite of self-manufactured equipment. We provide comprehensive and convenient one-stop services with respect to system design, equipment manufacturing, on-site supply, system debugging, system implementation and after-sales services to reduce construction, operation and management costs for customers and to mitigate the system compatibility risks of complex rail transportation lines. During the Track Record Period, the bidding and contracting model for rail transportation control system projects took various forms. The project owners can post a general bid, or divide the projects into separate parts and post bids of each part on a stand-alone basis. This business model has enhanced our ability to customize and the flexibility to make versatile combinations of our products and services to meet the needs of customers. In addition, our business model also propels and supports our equipment manufacturing and system implementation businesses, and reduces marketing costs and enhances operational efficiency, while lays a solid foundation for us to monitor our products after they have been put into operation and carry out our maintenance and upgrade businesses. Within 10 years, we have leveraged our "three-in-one" business model and completed more than 30 turn-key solution projects, or general project management projects, on high-speed railway control system and urban transit control system. Our unique "three-in-one" capability has also earned us a favorable position in winning considerable stand-alone projects or sub-parts of the turn-key solution projects.

Our rail transportation control system solutions and core products have a sound record of safety and reliability during the Track Record Period

We place paramount emphasis on product safety and reliability. Our solutions and products are sound in safety, reliability, availability and maintainability, ensuring the efficiency of rail transportation all year round. Our core safety products meet internationally recognized safety standards, including European railway product safety management standard EN50126. We have established a quality and safety control mechanism covering the entire lifecycle of the products, including a comprehensive management system on product quality and safety, testing and examination

procedures for product reliability, production quality control, analytic procedure for malfunction, traceable monitoring and safety assessments over the full lifecycle of our products and failure response mechanisms. We adopt stringent quality and safety development strategies, and established product quality and safety management system through the adoption of standards such as IRIS and CMMI standards. We have been following the European railway product safety management standards EN50128 and EN50129 to enhance the management and control of our core safety products' quality and receiving assessment certifications of SIL. During the Track Record Period, 73 of our rail transportation control system products had obtained SIL4, the third-party assessment certificate issued by Lloyd's Register Quality Assurance of the United Kingdom and TÜV Rheinland of Germany. The hazard rate arising from such products' safety functions was 10^{-9} < Tolerable Hazard Rate < 10^{-8}, meaning a hazard event would happen once in 1,000 years to 10,000 years, representing the world-leading quality level. During the Track Record Period, we had provided control system equipment with outstanding safety and reliability for high-speed railways in operation and in various types of weather and geographical environments. Our equipment has ensured the safe, stable and efficient operation of each high-speed railway line.

We have an experienced management team with outstanding track records and prominent industry expertise, and a distinctively robust talent pool in the industry

Our management team has extensive experience and outstanding performance in the rail transportation control system industry. Our stable management team has an average of over 30 years of industry experience with demonstrated management skills. Our management team has been instrumental in efficiently leading our business growth. In particular, Mr. Zhou Zhiliang were awarded the National Excellent Construction Entrepreneur Award in November 2014, and the National Outstanding Professional Manager in Engineering Construction in 2013. In recent years, we have been optimizing our management structure and improving our management efficiency. As a result, our administrative expenses, excluding the R&D expenses recorded thereunder, as a percentage of our revenue decreased each year during the Track Record Period, from 10.6% to 8.6%, 8.1% and 7.4% for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively.

Many members of our management team are directors or executive directors of influential PRC industry associations. In particular, Mr. Zhou Zhiliang has been an executive director of the China Railway Enterprise Management Association (中國鐵道企業管理協會) since 2013 and Mr. Yin Gang has been a director of the China Railway Enterprise Management Association since 2013.

Our success has been supported by our outstanding employees. As a technology-driven enterprise, a team of professionals with strong technical expertise and creativity is a key factor to our success. All of our senior and mid-level management members have extensive professional background and experiences. We have four national expertise appraisal centers for specialized professional skills, and our employees have been awarded the title of "National Technical Expert" for

50 times. The experience and skill level of our staff in various aspects of the rail transportation control system, including engineering design, system integration, equipment manufacturing and system implementation services, are outstanding in our industry. We place great emphasis on selecting, training and retaining staff, and recognize that talented employees are indispensable in supporting our future development. We also place great emphasis on improving our internal training system and provide our staff with training opportunities in universities, research institutes and foreign countries. In addition, we have comprehensive staff evaluation standards, monitoring mechanisms, salary systems and incentive mechanisms that are closely linked with performance. We gradually increase incentive payments for outstanding employees.

DEVELOPMENT STRATEGIES

As the world's largest rail transportation control system solution provider, we plan to consolidate and strengthen our existing market leadership position through the following strategies. In the future, we plan to leverage the industry growth and our abundant resources, to further develop seven business sectors, including signal and communication, power supply and electrification, general project management business, capital operation, overseas business, emerging businesses and informatization.

Continue to optimize our R&D system to ensure timely commercialization of our research achievements, so as to solidify and strengthen our industry leadership

Given the technology-intensive nature of rail transportation control systems, in order to meet the increasingly stringent market requirements for the technology advancement, the safety and reliability of rail transportation control systems and equipment, we will endeavor to develop a R&D mechanism that is far-seeing and pragmatic. We will improve our independent R&D capability to solidify our existing technological advantage and prompt commercialization of our research results. We plan to:

- research and develop the next generation train control systems for high-speed railways or special railway lines;
- develop the GSM-R products and high-speed train broadband wireless communication system products and formulate relevant standards;
- commercialize the metro CBTC technology developed by us and research and develop a new generation of autopilot CBTC for urban transit;
- develop core technologies applicable to the emerging markets such as modern trams, communication informatization, power supply and electrification; and
- utilize cloud computing, IoT and Big Data research results to provide more comprehensive system solutions for Smart Cities.

We will improve our R&D capability by consistently improving our R&D facilities, enhancing our cooperation with third-party institutions, and recruiting and training talents. We will continue to facilitate the improvement of key laboratories, establish national leading research centers, and improve our R&D facilities. We will continue to enhance our cooperation with leading domestic and overseas universities and research institutions and improve our own innovation capabilities by undertaking major domestic and overseas technology innovation projects, building industrial technology innovation alliances and co-founding laboratories and technical centers, among other things. We will continue to recruit and train talents, and improve the incentive mechanism. We also plan to bring in world-class industry experiences, technologies and cutting-edge products through mergers and acquisitions, and further improve our technological innovation capability and core competitiveness through innovation.

Continue to expand the industry value chain and enhance our capability to provide one-stop solutions

While continuing to strengthen our "three-in-one" advantage in design and integration, equipment manufacturing, system implementation services for rail transportation control systems, we will also gradually expand the industry value chain and end markets to develop and strengthen our businesses in modern tram, power supply and electrification, and maintenance services:

- We plan to further strengthen R&D on the technologies used in modern tram and apply our existing technologies to modern tram-related business to enhance our competitive strengths in rail transportation control system sector. Supported by government policies, we intend to accelerate the development of modern tram projects to become a market leader in this emerging sector.

- We will strengthen and improve our power supply and electrification business. We will acquire the qualifications required for developing the power supply and electrification business, in order to win integration projects. We will leverage our strengths in both railway and urban transit control system markets to realize synergies between our existing businesses and the power supply and electrification business.

- We will conduct further systematic research and development on comprehensive and intelligent maintenance system to develop the operating equipment safety control and system maintenance business for rail transportation system. We intend to build an operation monitor and maintenance platform with functions of status testing, fault diagnosis, intelligent alarming, and maintenance dispatching, and comprehensive coverage of operating commanding, operating equipment, operating procedures and operating environment. We will fully leverage our experience, resources and R&D capability in rail transportation control systems to develop intelligent maintenance business.

Enter into new business segments and diversify the application of our technologies

We will further strengthen our informatization system business and become a leading integrated information system solution provider in the rail transportation industry, covering rail transportation maintenance systems, passenger transportation systems and cargo transportation service systems. We also plan to develop and strengthen new applications such as wireless broadband, informatization, Smart Cities/IoT, integrated dispatching communication and surveillance:

- Wireless broadband: we have formed an exclusive cooperation with the PRC companies that independently developed enhanced Ultra High-Speed Wireless LAN technology. We have started to deploy this technology on high-speed train internet solutions, providing internet value-added services to meet the needs of high-speed railway passengers requiring broadband internet access in the same way as in stationary status. In addition, we plan to leverage our existing broadband transmission technology to improve the R&D of wireless broadband transmission processing under high-speed environments. We will conduct research and development and formulate related standards for existing wireless communication systems and high-speed train broadband wireless communication systems, develop key technologies for high-speed train broadband communication, informatization and automation and create the track-train information interoperability for rail transportation, all of which will enable us to become a provider of both high-speed train broadband wireless communication system solutions and equipment, and system operation value-added services;

- Informatization: we have successfully developed information systems such as railway customer service system and railway electricity information system, and plan to leverage our experiences in information system to develop railway passenger information processing, geographical information services and location-based intelligent decision-making based on cloud computing technologies. For instance, our railway customer service system has been applied to Hankou-Yichang High-Speed Railway and Tianjin-Qinhuangdao High-Speed Railway to centralize the dispatching, commanding and management of the railway operations. Along with system R&D, we also plan to develop electronic devices specially designed for informatization and provide informatization and industrialization combined system integration solutions, software products and specialized key equipment for enterprise, industry and municipal informatization;

- Integrated dispatching and communication: we plan to conduct technological and industrial research on communication products used in multimedia dispatching based on our existing integrated dispatching and communication system platform and explore the application and development of multimedia dispatching technologies in rail transportation control systems. We will research and develop multimedia dispatching and communication products based on IP technology that can have a wide variety of applications, such as airports, nuclear power plants and harbors and application systems for specific industries;

- Security protection and monitoring: we plan to improve the functions and key performance index of video surveillance system based on our existing video surveillance system platforms, and develop the existing three-tier surveillance platforms adopted in the PRC railway networks toward intelligent and high-definition railway video surveillance platforms with a unified technological architecture. We will conduct in-depth research on key technologies relating to urban transit and other non-railway video information integration platform systems, intelligent high-definition video products and intelligent video analysis products. We plan to integrate video surveillance systems with other business systems and incorporate IoT technologies, such as the technology that links security surveillance systems to security services, in order to provide customized solutions for areas with higher safety requirements such as railways, airports and Smart Cities; and

- Smart Cities/IoT: we plan to leverage our technologies accumulated through existing communication technologies, the BeiDou Satellite navigation technologies and R&D of security protection and monitoring systems and disaster prevention systems, to provide more comprehensive application solutions for Smart Cities and to conduct in-depth research on technologies such as key business models for Smart Cities, basic platforms for cloud computing, high-speed and large capacity data storage and public information platforms. We plan to drive the improvement and promotion of overall solutions for Smart City construction with a breakthrough in key project demonstration and application, enhance the R&D of basic platforms and business application systems for Smart Cities and gradually become an operator of Smart Cities.

Grow our international business and expand our business presences in overseas markets

We plan to establish overseas marketing, sales and service networks, innovate overseas business model, build an international talent pool and accelerate our expansion into overseas markets. We plan to export products by undertaking international projects to increase our global influence. Our international expansion strategies include:

- With the support of favorable PRC policies such as "high-speed railway going out" and "One Belt, One Road", we place great emphasis on international market and, as a core market player of the rail transportation system market in the PRC, we intend to form alliances with other key railway enterprises to jointly undertake major overseas rail transportation construction projects, and utilize our technology, products and implementation engineering strengths;

- We will strive to develop general project management business. In the rail transportation and infrastructure construction sectors, we will provide one-stop solutions including project consultation, engineering design, logistics, installation and maintenance services in form of project contracting;

- We plan to develop international business by focusing on the rail transportation control system sector in the global market, especially in European and North American markets, through acquisitions, mergers, joint ventures, cooperations or overseas investment, aiming to expand our overseas business, realize our international development, and enter new industries or markets; and

- We plan to establish overseas R&D centers, production bases and service networks in markets with development potentials to localize our overseas business, take advantage of local resources, gain a better understanding of local technology rules and improve our products' compatibility with international standards and local market demands, so as to accelerate the implementation of our internationalization strategy.

Expand our general project management business and enhancing our capital management capabilities

We plan to strengthen our ability to undertake general project management projects, with a focus on the quality and benefits of our developments. In the area of railway control systems, by leveraging our existing advantages in signal and communication sectors and with further development in the electrification sectors, we anticipate that we will be able to strengthen our ability to undertake general project management projects and expand our market share. In the area of urban transit projects, we will apply the CBTC technology developed by us to drive the development of integrated monitoring and mechanical and electrical equipment businesses, through general project management of municipal projects, mechanical and electrical engineering projects and investments, thereby promoting the development of the general project management business in the urban transit control system sector.

We plan to promote our core business through developing the capital operation business, helping us to enhance our ability to obtain projects and increase the return rate of our capital. We will invest in projects focusing on existing rail transportation control system business and related business areas. In developing our capital operation business, we intend to establish a prudent and robust risk management mechanism, train investment talents, expand financing channels, optimize financing structure and reduce financing costs.

Other than disclosed in "Our History and Development — Proposed Acquisition," as of the Latest Practicable Date, we have not entered into any definitive agreement with any party to acquire an acquisition target.

Further enhance our management efficiency, corporate management and cultivate excellent corporate culture

We plan to strengthen our safety management system to enhance our product safety through multiple mechanisms. We will continue to implement the IRIS standard and safety assurance system to increase the safety, reliability, availability and maintainability of our products and services. We also plan to further increase the use of automation, intelligent decision-making and data networking in our business operations, to optimize our corporate structure, improve the strategic management capabilities and business capabilities. We will promote the informatization level of our corporate management system including implementing the ERP system, improving the functionality and analysis model of the business intelligence system, enhancing corporate decision-making mechanism, realizing the comprehensive planning on information technology and infrastructure, improving the backbone network and relevant infrastructure. While enhancing our capabilities on project management, knowledge management, resource allocation management and performance management, we will continue to improve the quality of our information management system and lower the corporate management costs.

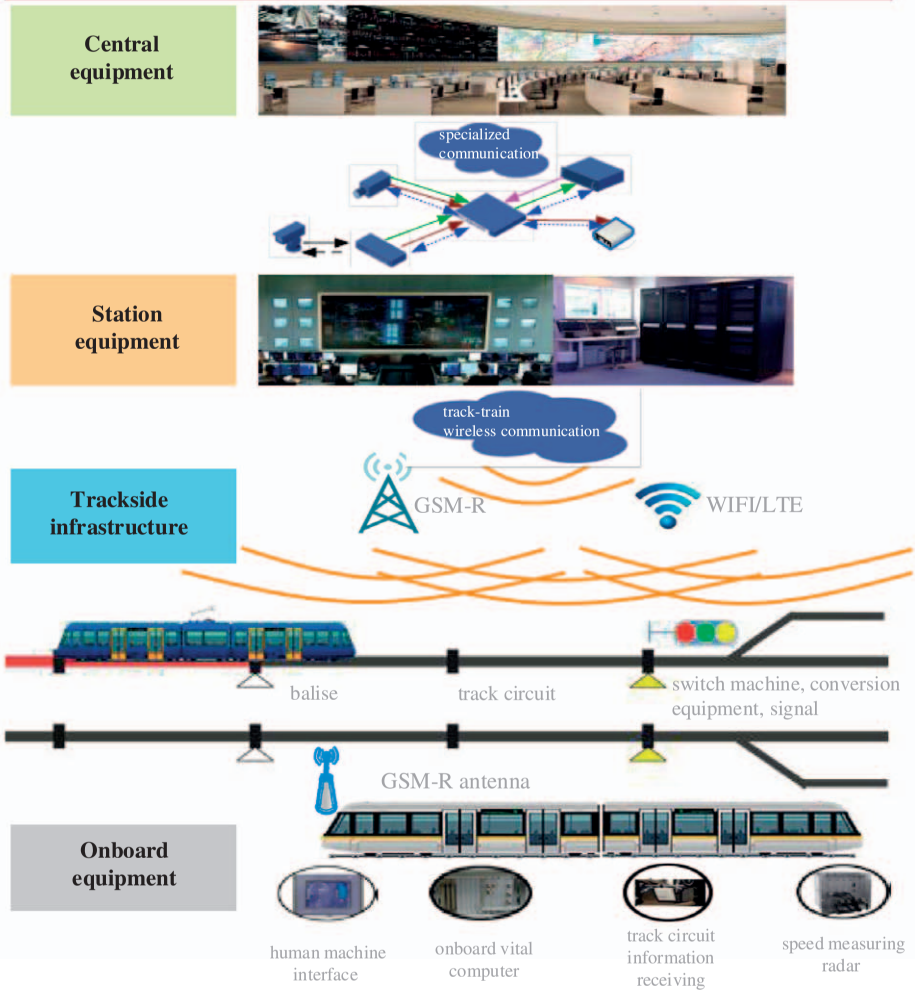
We will continue to strengthen our corporate culture, increase our employees' sense of responsibility and enhance corporate cohesion. We will establish and accelerate the cultivation of a corporate culture with our own characteristics that would reflect the modern spirit and be comparable with first-class global technology companies. In addition, we will continuously improve our core corporate values, operation management systems and code of conduct, guide our staff to understand and realize the core corporate ethics. We will strive to enhance our competitive advantages and brand value through promoting awareness of safety and quality, innovation and transformation, superior customer service, prudent legal compliance, competitive eagerness, effective teamwork and diligent execution.

RAIL TRANSPORTATION CONTROL SYSTEM DIAGRAM

We provide comprehensive and efficient integrated control systems for rail transportation. Each control system comprises two major parts, namely ground system and onboard system. These control systems are seamlessly integrated to enable the rapid and smooth flow of information and to ensure the safety and efficiency of rail transportation. The principal components of our rail transportation control system are demonstrated in the chart below:

	Major systems and equipment provided by us	
National Railway Train Control Systems		• CTCS-3 • CTCS-2 • CTCS-0
Intercity Railway Train Control Systems		• CTCS-2+ATO • Integrate Dispatching System
Urban Transit Train Control Systems		• FZL 300: CBTC • FZL200: MATC • FZL100: Digital Track Circuit-Based System
Freight Transport Automation Systems		• CIPS for Marshalling Yards • Hump Automatic Control System • Multi-Locomotive Control System for Heavy-Haul Trains
Traffic Dispatching Command Automation and Monitoring Systems		• Decentralized Automatic CTC • TDCS • Centralized Signal Monitoring (CSM) System • Integrated Monitoring System for Signal and Communication
Communication information and Service Products		• Railway Integrated Monitoring System • Railway Passenger Integrated Service Information Platform • GSM-R Radio Communication Network Quality of Service Testing System
Basic Equipment and Products		• Railway Signal AX Series Relays • ZD(J)9 Series Electrical Point Machines • Electrical Point Heating System • Railway Signal Digital Cables

Simplified schematic diagram for system operation



PRINCIPAL BUSINESSES

OVERVIEW

We have been the largest rail transportation control system solution provider in the world in terms of revenue since 2009, according to the Sullivan Report. We have industry-leading design and R&D capabilities for rail transportation control system and the world-leading equipment manufacturing capability. We provide rail transportation control system products and services to our domestic and international customers.

We provide one-stop rail transportation control system solutions that cover the entire industry value chain. We also provide our products and services on a stand-alone basis, or in various combinations, to meet the demands of our customers, including:

- *Design and integration*: We provide engineering design and system integration services for rail transportation control system projects, and offer integrated solutions designed to achieve functionality and performance of control system;

- *Equipment manufacturing:* We manufacture and sell signal system products, communication information system products and other products;

- *System implementation:* We provide services such as construction, installation, testing and maintenance for rail transportation control system projects; and

Other than our three main business lines, we also engage in other businesses, such as provide municipal engineering and related construction services and engage in commodities trading.

The table below sets forth our revenue breakdown by type of business for the periods indicated:

	Year Ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Design and integration	3,551,245	33.7	3,478,596	26.6	4,908,771	28.3	857,888	25.6	1,346,443	28.3
Equipment manufacturing	4,157,659	39.4	4,960,899	38.0	5,870,725	33.9	1,365,973	40.8	1,730,041	36.4
System implementation	2,842,008	26.9	4,167,894	31.9	5,368,037	31.0	1,015,478	30.3	1,255,408	26.4
Other businesses	—	—	457,196	3.5	1,181,110	6.8	107,232	3.3	425,168	8.9
Total	**10,550,912**	**100.0**	**13,064,585**	**100.0**	**17,328,643**	**100.0**	**3,346,571**	**100.0**	**4,757,060**	**100.0**

Railway is our most important end-market. In recent years, with the rapid development of urban transit networks, urban transit has also become one of our increasingly important end-markets. At the same time, we are also gradually expanding into overseas markets.

The following table sets forth our revenue breakdown by end-markets in the PRC and revenue generated from our overseas business for the periods indicated:

	Year ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Domestic business										
Railway	8,740,565	82.8	10,279,799	78.7	13,642,049	78.8	2,825,206	84.4	3,497,744	73.5
Urban transit	1,696,074	16.1	1,984,972	15.2	1,928,806	11.1	329,111	9.8	788,185	16.6
Other businesses	—	—	457,196	3.5	1,181,110	6.8	107,232	3.3	425,168	8.9
Sub-total	10,436,639	98.9	12,721,967	97.4	16,751,965	96.7	3,261,549	97.5	4,711,097	99.0
Overseas business	114,273	1.1	342,618	2.6	576,678	3.3	85,022	2.5	45,963	1.0
Total revenue	**10,550,912**	**100.0**	**13,064,585**	**100.0**	**17,328,643**	**100.0**	**3,346,571**	**100.0**	**4,757,060**	**100.0**

Design and Integration

Overview

Our business line of design and integration mainly includes engineering design and system integration of rail transportation control system.

- Our engineering design services include survey, design and consultation services for rail transportation construction projects. In particular, we provide services such as evaluating technical and economic data, comparing competing design plans, selecting and finalizing general design, completing technical plans and construction drawings, planning the main construction or engineering components of projects, determining required equipment and raw materials and estimating the overall project budget. We provide engineering design services to railway projects (signal and communication), urban transit projects (communication information, signals and automatic fare collection).

- Our system integration services provide comprehensive solutions including: overall technical solutions, component system technical solutions, solutions for interfaces between component systems, data processing, software integration and laboratory testing. We provide these services to achieve the functionality requirements of each system and verify its performance through integrated testing.

Since our establishment, we have completed over 7,000 signal, communication, power supply and automation engineering design projects. We have undertaken the design of a series of trial projects promoted by the State Council and national key projects. We also have undertaken and completed system integration projects for over 90 rail transportation lines. We have applied over 70 self-developed system technologies to the railway and urban transit sectors, and promoted more than 100 new technologies in the projects we undertook. We have been granted over 250 awards, including the National Technology Progress Award, National Excellent Engineering Design Award as well as several other ministry-level awards. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our revenue derived from the design and integration business was RMB3,551.2 million, RMB3,478.6 million, RMB4,908.8 million and RMB1,346.4 million, respectively, accounting for 33.7%, 26.6%, 28.3% and 28.3% of our total revenue, respectively.

Railway control system design and integration

Railway control system design and integration is our major design and integration business. Between 1997 and 2007, the PRC major railways raised operating speed nation-wide six times and we participated in all six speed-upgrade projects. We undertook a number of railway control system design and integration projects to provide proposals and construction blueprint for core control system equipment such as TDCSs, railway station computer-based interlocking systems, section automatic blocking systems and track circuits, which underpinned the upgrade and technological advancement of the PRC railway control systems. Since 2005, we have undertaken and completed national control system integration projects for the PRC high-speed railway network, including the Beijing-Shanghai High-Speed Railway, Wuhan-Guangzhou High-Speed Railway and Harbin-Dalian High-Speed Railway, which in aggregate has reached over 10,000 km in terms of mileage and make us the largest railway control system provider in the PRC in terms of mileage. In particular, according to the Sullivan Report, by the end of 2014, our winning bids covered 72.3% of the completed high-speed railways in the PRC with CTCS-3 systems in terms of mileage. In addition, currently we provide design and integration services for high-speed railway projects under construction, including Dongguan-Huizhou High-Speed Railway, the Zhengzhou-Xuzhou High-Speed Railway and the Hainan West Ring High-Speed Railway.

Urban transit control system design and integration

Urban transit control system design and integration is also one of our major design and integration businesses. Since we began to design and integrate the control system for the Beijing Subway Line 1 in 1961, the first metro in the PRC, we have participated in the design and integration of over 100 urban transit control system projects in over 20 cities, including Beijing, Shanghai, Nanjing, Suzhou, Ningbo, Hangzhou, Wuhan, Guangzhou, Shenzhen, Shenyang, Harbin, Dalian and Urumqi. Currently, all urban transit lines for which we have provided design and integration services have maintained stable, efficient and reliable operation, demonstrating our outstanding design and technical capabilities.

Other design services

We also provide design services in other fields. We provided design services for certain information system projects, including the Beijing Rail Transportation Construction Security Monitoring and Emergency Command Center project, the Beijing Rail Transportation Security Protection and IoT project, the Beijing Rail Transportation Command Center project, the Beijing Rail Transportation Automatic Fare Collection Center project and the Beijing Rail Transportation Passenger Information System Center project.

Awards

As of March 31, 2015, we have been granted a number of awards for our rail transportation control system design and integration services, including:

Year	Project/product/achievement	Award
2013	Newly constructed Beijing-Shanghai High-Speed Railway communication, signal and information design project	First Prize for the National Construction Project Outstanding Design Achievement Award (全國工程建設項目優秀設計成果一等獎)
2013	Technical specification research for GSM-R digital mobile communication system	First Prize for the Railway Technology Award by the China Railway Society (中國鐵道學會鐵道科技獎一等獎)
2012	Research and application on CTCS-3 level train control systems	Grand Prize for China Railway Society Railway Technology Award (中國鐵道學會鐵道科技獎特等獎)
2012	The Overall Design of Beijing-Shanghai High-Speed Railway	Grand Prize for Excellent Design Award (鐵道部優秀設計特等獎)
2011	Debugging, testing and comprehensive experimentation for the Wuhan-Guangzhou High-Speed Railway	Grand Prize for the Railway Technology Award by the China Railway Society (中國鐵道學會鐵道科技獎特等獎)
2010	Research and application of key technology for the Suining-Chongqing ballastless track	First Prize for the National Technology Progress Award (國家科學技術進步獎一等獎)
2009	Beijing Subway Line 10 (Stage I) and Olympic Extension Line project	First Prize for the 14th Beijing Outstanding Engineering Design Award (北京市第十四屆優秀工程設計獎一等獎)
2009	Beijing Rail Transportation Command Center project	First Prize for the 14th Beijing Outstanding Engineering Design Award (北京市第十四屆優秀工程設計獎一等獎)
2007	Research and application of CTCS-2 train control systems	First Prize for MOR Science and Technology Award (鐵道部科學技術獎一等獎)

Equipment Manufacturing

Overview

The main products that we develop, manufacture, sell and maintain include signal system products, communication information system products and other products. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our revenue generated from our rail transportation control equipment manufacturing business was RMB4,157.7 million, RMB4,960.9 million, RMB5,870.7 million and RMB1,730.0 million, respectively, accounting for 39.4%, 38.0%, 33.9% and 36.4% of our total revenue for the same periods, respectively.

Signal system products

Our signal system products comprise the key equipment and systems which coordinate the safe and efficient operation of trains. Signal products also transmit trains' operational information and improve the working conditions of the railway staff. These products include station computer-based interlocking systems, automatic blocking systems, train control centers, railway ATP Onboard equipment, track circuits, RBC, TSRS and CIPS equipment. These products help control the train operation, train dispatching and command, station interlocking, and marshalling yard control and management.

The table below sets out our major signal system products:

Product name	Product description
Computer-based interlocking systems (計算機聯鎖系統)	Maintains interactions among signals, switches and routes to ensure safety of train operation.
Automatic blocking system	Controls the number of, and distance between, trains in a particular section to prevent train collision. Railway signal specifications have been standardized nationwide based on our products developed on our proprietary technologies.
Train control center	Based on information such as the location of each train within its monitoring scope, interlocking route, temporary speed limits, it controls track circuit encoding and active balise information and grants movement authority to trains.
Railway ATP Onboard	Monitors the operation status of trains and achieve automatic protection.

Product name	Product description
Track circuit	Uses steel rail of certain section of railways as conductor to automatically and continuously detect whether the track is occupied.
RBC	Generates movement authority and other control information for trains, which are transmitted to onboard train control equipment through wireless communication.
CIPS	Centralizes the monitoring and control of marshalling yards.

Communication information system products

Our communication information system products mainly include specialized wired and wireless communication systems, computer and information exchange software and hardware products, information collection and sensor products, railway comprehensive video monitoring systems and CIR equipment. Our communication information system products are widely used in railway transmission, railway data communication, GSM-R MSC, GSM-R BTS, station-yard communications, station-yard broadcasts, clock systems, dispatching telephone systems, comprehensive safety communications, as well as in fields such as municipal administration.

The table below sets out our main communication information system products:

Product name	Product description
Railway comprehensive video monitoring system (鐵路綜合視頻監控系統)	Achieves real-time video monitoring, video recording, alarm linkage, electronic maps, equipment management, TV management, network management and system log.
CIR	Achieves centralized management of train wireless communication channels, selects proper channels for track-train communication based on business requirements and network conditions, and provides transmission services for various track-train voice and data transmission.
Urban transit specialized wireless communication system (城市軌道交通專用無線通信系統)	Integrates the specialized wireless communication system equipment including the TETRA main system and related equipment and provides secondary development equipment and software required by wireless dispatching operations, in order to facilitate the dispatcher to dispatch and command the train operation and maintenance staff.

Product name	Product description
Fiber optic repeater weak zone coverage equipment (光纖直放站弱場覆蓋設備)	Covers wireless signal and communication areas with medium-to-weak or no signals to ensure full coverage of wireless signal, which is adopted widely in numerous railways, urban transit lines, lakebed and cross-ocean tunnel.

Other products

Our other products mainly include signal cables, communication cables and specialized cables as well as locomotive instrumentation and electric control devices for railways and urban transit.

The table below sets forth our major other products:

Product name	Product description
Cable (電纜)	Mainly consists of signal cables and communication cables for railway and urban transit, such as railway signal cable, railway digital signal cable, balise digital transmission cable, long distance symmetric communication cable, rail transportation axle counter cable, railway through ground wire, control cable, communication optical cable, radio-frequency coaxial cable and leaky coaxial cable.
Locomotive electric control device (機車電控裝置)	Controls a locomotive's forward and backward motion as well as braking and traction.
Metro traction power supply system product (地鐵牽引供電系統產品)	Provides a train with energy during traction and reduces the drop in direct current voltage.
Locomotive instrumentation (機車儀表)	Provides various indicating instruments installed and used on a locomotive, such as pressure gauges and speedometers.
Power system (電源系統)	Provides smart power supply to railway signal control systems and communication systems.
Lightning protection (雷電防護)	Includes lightning protections for power systems and signal systems and lightning protection solutions for automation systems.

Production facilities

We manufacture our products primarily in our own production facilities. As of March 31, 2015, we had a total of 13 production bases in 9 cities in the PRC, including the biggest signal relay production facility and switch machine production facility in the world.

The table below sets forth our principal production facilities as of March 31, 2015:

Departments or subsidiaries that operate the production facilities	Location of production facilities (cities)	Major products
BRSC	Beijing	Signal system products
CRSC Shenyang	Shenyang, Liaoning Province	Signal system products
CRSC Xi'an	Xi'an, Shaanxi Province	Signal system products
CRSC Shanghai	Shanghai	Signal system products
TRSC	Tianjin	Signal system products
CRCEF	Chengdu, Sichuan Province	Signal system products, communication information system products
CRSC Jiaozuo Cable	Jiaozuo, Henan Province	Cables
CRSC Tianshui Cable	Tianshui, Gansu Province	Cables

Production machinery

We own sophisticated manufacturing, testing and experimentation machinery and adopt advanced production process to promote efficient production. As of March 31, 2015, we had a total of 1,299 pieces of major machinery.

The table below sets forth the types of key machinery used to produce our major products:

Key machinery	Functions and features
Chip mounter	Mainly used for component mounting in production of electronic products
Wave soldering machine	Mainly used for component welding in production of electronic products

Key machinery	Functions and features
Reflow soldering machine	Mainly used for chip welding in production of electronic products
Online testing instrument	Mainly used for testing the electrical properties and electrical connection of online components of electronic products
Balise function testing system	Used for balise testing of electronic products
Jointless frequency shift equipment full-suite testing station	Used for full-suite testing of ZPW2000A jointless frequency shift equipment

Our key production machinery generally has useful lives of approximately 8 to 10 years, which, based on our experience, may be extended with appropriate repair and maintenance. We have implemented a number of rules, procedures and guidelines for the operation, management and maintenance of our machinery. Our machinery department is responsible for maintaining our machinery and conducting regular inspections to evaluate their conditions. In addition, our operational staff is responsible for undertaking inspections on an as-needed basis during our ordinary course of operations, and reporting any issues to the relevant department which will then order repairs and servicing where necessary.

During the Track Record Period, we had not experienced any unexpected material stoppage of operations as a result of a failure of our machinery.

Awards

As of March 31, 2015, we had received the following major recognition and awards for our railway control system equipment that we manufacture:

Year	Project/product/achievement	award
2014	CIPS for marshalling yards	First Prize of China Railway Society Science and Technology Award (中國鐵道學會科學技術獎一等獎)
2014	High-speed railway centralized dispatching system	First Prize of Science and Technology Award by the China Railway Society (中國鐵道學會科學技術獎一等獎)
2013	Research and application of the DS6-60 system	Second Prize of Science and Technology Award by the China Railway Society (中國鐵道學會科學技術獎二等獎)

Year	Project/product/achievement	award
2013	JYJXC-160/260 polarized relay with heavy duty contacts	Second Prize of Science and Technology Award by the China Railway Society (中國鐵道學會科學技術獎二等獎)
2012	Domestic manufacturing of CTCS-3 train control onboard equipment and RBC equipment	Second Prize of Science and Technology Award by the China Railway Society (中國鐵道學會科學技術獎二等獎)
2012	Research and application of temporary speed restriction servers	Second Prize of Science and Technology Award by the China Railway Society (中國鐵道學會科學技術獎二等獎)
2008	TDCS train dispatch control system	Grand Prize of Science and Technology Award by the China Railway Society (中國鐵道學會科學技術獎特等獎)
2008	Research on equipment used in train control centers	First Prize of Science and Technology Award by the China Railway Society (中國鐵道學會科學技術獎一等獎)
2006	Model ZPW-2000A jointless frequency shift automatic blocking system	Second Prize of National Technology Progress Award (國家科學技術進步獎二等獎)
2002	Integrated technology and equipment for projects related to raising the speed of China's railways	First Prize of National Technology Progress Award (國家科學技術進步獎一等獎)

System Implementation

Overview

We provide rail transportation control system implementation services, covering mainly product installation engineering services associated with automatic train control systems, communication and information systems, and power supply and electrification for railways and urban transit. Our system implementation services also include certain types of construction work such as electrical and mechanical equipment installation, smart building, property construction and municipal projects. Our projects cover all provinces of the PRC. In addition, we also participated in overseas construction projects in Asia, Africa and South America. We have won China Construction Engineering Luban Awards (National High-quality Projects), China Civil Engineering Zhan Tianyou Awards, 16 National High-quality Project Awards as well as 32 ministry-level high-quality project awards for the high quality of our projects. We have also won over 70 national, ministry-level quality control achievement awards and undertaken the development of seven national technical process and 42 ministry-level

technical process for our engineering systems. We have also participated in and led the drafting and compiling of a number of national and industry project construction and inspection standards. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our revenue from system implementation services was RMB2,842.0 million, RMB4,167.9 million, RMB5,368.0 million and RMB1,255.4 million, respectively, accounting for 26.9%, 31.9%, 31.0% and 26.4% of our total revenue for the same periods, respectively.

Railway control system implementation

Since our establishment, we have built railway control systems for over 100 railway lines, including the Beijing-Tianjin High-Speed Railway, the Wuhan-Guangzhou High-Speed Railway, the Beijing-Shanghai High-Speed Railway and the Harbin-Dalian High-Speed Railway. As of March 31, 2015, the major railway control system projects that we were constructing include the Shijiazhuang-Jinan High-Speed Railway Harbin-Qiqihar High-Speed Railway, the Dongguan-Huizhou railway, the Fujian-Jiangxi section of Hefei-Fuzhou High-Speed Railway, the Guizhou East section and Yunnan section of the Changsha-Kunming High-Speed Railway, and the Zhengzhou North Marshaling Yard.

Urban transit control system implementation

We participated in the construction of the control system of Beijing Subway Line 1, the first metro in the PRC which commenced operation in 1971. We have installed signal systems for urban transit control system projects including Beijing Subway Line 2, Shanghai Metro Line 10, Wuhan Subway Line 2 and Phase 1 of Kunming Subway Lines 1 & 2. We have participated in urban transit control system upgrade projects, including the signal system upgrade of Beijing Subway Line 1, the signal system upgrade of Shanghai Metro Lines 12 and 13, and the signal system overhaul of Shanghai Metro Line 1. We have also been participating in the first metro construction projects in cities such as Ningbo, Wuxi, Nanning, Changchun, Shenyang and Urumqi. As of March 31, 2015, we had undertaken or participated in a total of 360 urban transit projects.

Business model

We carry out a large number of our system implementation projects through professional contracting. As a contractor, we carry out construction based on the designs and schedule provided by the design team and client of each project and we are responsible for the overall project construction. In some other cases, the client oversee the construction with the assistance of a professional supervisor. For certain projects, we carry out construction based on the construction drawings and designs provided by clients and are only responsible for our construction works, while clients are generally responsible for procurement of raw materials and control over project progress. We intend to expand our general project management business by leveraging our strengths in engineering design, system integration and the power supply business we have been developing.

In addition, for certain projects we may sub-contract our work to other companies due to customer requirements or labor intensity involved. In the selection of sub-contractors, we will take into account their professional qualifications, past performance for similar projects, reputation in the industry, financial condition and project implementation capabilities. We exercise strict control over sub-contractors and usually require them to pay performance deposits and quality warranty deposits. While managing projects, we include all sub-contractors into our detailed project management system. This enables us to exercise unified management over safety, quality and organizational structure for our project implementation process, and also allows us to provide the sub-contractors with necessary training. The sub-contractors we currently work with are mainly enterprises with computer-aided design integration capabilities, specialized sub-system design and integration capabilities, or enterprises with labor service qualifications. During the Track Record Period and as of the Latest Practicable Date, all of our sub-contractors were independent third parties.

Engineering technology

We own a wide range of technologies in the installation, testing and maintenance of signal and communication equipment and related products, including, among others, CTCS-3 train control system testing method, ZPW-2000A jointless frequency shift automatic blockage equipment installation and testing method, urban transit ATC digital track circuit testing method, rail transportation TETRA system construction and testing method and GSM-R wireless network optimization testing method. We have obtained nine patents, and seven of our engineering techniques are designated as National-level Normalized Construction Methods (國家級工法) by the PRC Ministry of Construction. Our National-grade Normalized Construction Methods comply with national policies and standards for engineering construction. They represent the highest industry standards in the PRC, and are able to ensure project quality and safety, improve construction efficiency, reduce project costs, save resources and protect the environment. The development and application of these construction methods promote technological innovation and improve the management of our engineering capabilities and technology.

Awards

As of March 31, 2015, we had received the following recognition and awards related to our rail transportation control system implementation business:

Year	Project/product/achievement	Awards
2014	Tianjin Metro Line 3 Project	National Outstanding Quality Engineering Project Awards (National Level) (國家優質工程獎(國家級))

Year	Project/product/achievement	Awards
2014	South Square and Public Transport Interchange Zone Project of the Tianjin West Station Traffic Hub Ancillary Municipal and Utility Project	National Outstanding Quality Engineering Project Awards (National Level) (國家優質工程獎(國家級))
2014	Beijing-Shanghai High-Speed Railway the Fifth Section Integrated Project	National Outstanding Quality Engineering Project Awards (National Level) (國家優質工程獎(國家級))
2013	Wuhan-Guangzhou High-Speed Railway Communication Signal Project	National Outstanding Quality Engineering Project Awards (National Level) (國家優質工程獎(國家級))
2013	Beijing Rail Transportation Fangshan Line Project	National Municipal Exemplary Engineering Project Golden Trophy (National Level) (全國市政金杯示範工程(國家級))
2012	Communication System for Shanghai Metro Line 7 Project	National High-quality Project Awards (National Level) (國家優質工程獎(國家級))
2010	Shanghai Metro Line 7 Communication System Project	National Municipal Exemplary Engineering Project Golden Trophy (National Level) (全國市政金杯示範工程(國家級))
2010	Pujiang Township Public Transport Ancillary Engineering System Equipment and Construction Contracting Project	National Municipal Exemplary Engineering Project Golden Trophy (National Level) (全國市政金杯示範工程(國家級))
2009	Beijing Subway Line 5 Communication System Project	China Construction Engineering Luban Awards (National Level) (中國建設工程魯班獎(國家級))
2008	Beijing Subway Line 5 Communication System Project	China Civil Engineering Zhan Tianyou Awards (National Level) (中國土木工程詹天佑獎(國家級))

Overseas Operations

Leveraging our comprehensive supply chain in the domestic market and our ability to engage in general project management and provide a full spectrum of products and services, we have been rapidly expanding into the overseas rail transportation control system construction market. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our revenue generated from the overseas market was RMB114.3 million, RMB342.6 million, RMB576.7 million and RMB46.0 million, respectively, representing 1.1%, 2.6%, 3.3% and 1.0% of our revenue for the same periods.

Since undertaking the first foreign project, Tanzania-Zambia railway control system construction project, in the 1970s, we have expanded into the overseas market to provide international customers with rail transportation control system solutions. We have undertaken and participated in a number of overseas construction and upgrade projects of the rail transportation control systems, including a signal system project for the Benguela railway in Angola, an optical cable communication engineering project for the backbone lines in Angola, a suburban railway signal upgrade and upgrade project for Mitre & Sarmiento in Buenos Aires, Argentina, a control system construction project for the first railway station (Thanaleng Railway Station) in Laos, a railway control system upgrade project in Pakistan, three lines and one hub modernization project for Northern Railway Line 3 in Vietnam and a signal and communication system project for the electrification upgrade of railways in Uzbekistan.

In addition, we have been able to use our control system products manufactured under the PRC standards in various overseas projects. In a light rail project in Addis Ababa, Ethiopia, we installed the urban transit signal systems manufactured under the PRC standards for the first time overseas. This is the first light rail in both Ethiopia and East Africa. It is also the first urban transit project in Africa constructed by Chinese companies under the PRC railway technical standards. Meanwhile, we have also been promoting the application of onboard train control system and station computer-based interlocking system manufactured under the PRC standards in other overseas projects. In addition to undertaking new construction and upgrade projects for rail transportation control systems, we also export our rail transportation control equipment. Our major exported equipment include switch machine, track circuit related equipment, specialized communication system for railways, and electrical cables.

After nearly 20 years of overseas engineering contracting, sales of products and market development, we have established our own overseas business network. We have established subsidiaries that focus on overseas business and have established a number of overseas offices and project management teams. We have built a team with overseas experience who understands the international market demands, is familiar with the international business practices and is able to control overseas risks. Through our long-term overseas operations, we have established strong relationships with customers. Our overseas customers for high-speed railways, normal-speed railways, metros and light rails primarily consist of local government customers. Meanwhile, we have

established extensive cooperation with domestic and overseas governments, financial institutions, major suppliers and various related enterprises. In addition, the PRC companies that enter the overseas markets benefit from the growing economy in the PRC and receive favorable policy support and preferential tax treatment, among others, from the PRC government at various levels.

Other Businesses

We have also developed other businesses, including municipal project contracting and commodities trading. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our revenue generated from other businesses was nil, RMB457.2 million, RMB1,181.1 million and RMB425.2 million, respectively, representing nil, 3.5%, 6.8% and 8.9% of our revenue for the same periods.

- *Municipal project contracting business*: Our municipal project contracting business involves various types of engineering services, including project design and construction services in relation to building construction, municipal public utilities, mechanical and electrical installation, building decoration, fire fighting facilities, airport runways, smart buildings, environmental protection and pipeline construction.

- *Commodities trading business*: Since our commodities trading business commenced, it has integrated the upstream and downstream resources of our industry, by leveraging the resources available through our platform to trade primarily in coal, chemical materials and mineral powder. Our major partners include major steel mills, power plants, coke plants and chemical companies.

SALES AND MARKETING

We adopt a direct sales model and conduct sales through our system integration department at our headquarters and the sales teams of our subsidiaries. Our sales are generally achieved through participating in competitive bidding process independently or jointly with partners. In addition to bidding, our sales are also conducted by bidding as subcontractor or through cooperation with other enterprises by negotiations.

Historical value of newly signed contracts and backlog

The contract value represents the contractually-determined amount that we expect to collect after we have fulfilled the terms of a contract. The value of newly signed contracts represents the total contract value of all contracts signed during a certain period. For the years ended December 31, 2012, 2013 and 2014, the total value of our newly signed contracts were approximately RMB9,115.2 million, RMB22,038.4 million and RMB25,530.1 million, respectively. For the five months ended May 31, 2015, the total value of our newly signed contracts was approximately RMB11,154.9 million.

Backlog refers to the total estimated contract value of work that remains to be completed pursuant to outstanding contracts as of a certain date, assuming performance in accordance with the terms of the contract. Backlog is not a standard financial measure that has been defined by generally accepted accounting principles. As of December 31, 2012, 2013 and 2014, our total backlog amounted to RMB4,851.6 million, RMB13,825.5 million and RMB26,812.1 million, respectively. As of May 31, 2015, our total backlog amounted to approximately RMB29,762.1 million, among which approximately RMB12,596.0 million, RMB9,490.4 million and RMB7,675.7 million is expected to be recognized as our revenue in 2015, 2016 and 2017 or beyond, respectively. The following table sets forth the breakdown of our backlog as of December 31, 2014 and May 31, 2015, respectively:

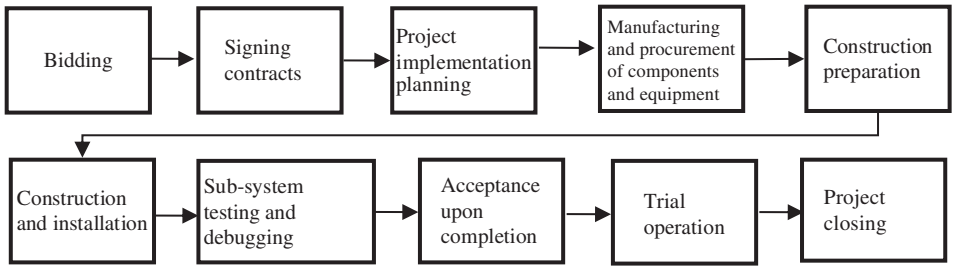
	As of December 31, 2014	As of May 31, 2015
	(RMB in million)	
Domestic business		
Railway	15,708.9	16,407.3
Urban transit	6,384.6	6,035.0
Other businesses	4,511.1	6,983.6
Sub-total	26,604.6	29,425.9
Overseas business	207.5	336.2
Total	**26,812.1**	**29,762.1**

There is no guarantee that the expected revenue from our backlog will not decrease, or that the expected revenue will be realized as actual revenue or be recorded as profit. See "Risk Factor — Risks Relating to Our Business Operations — Our backlog may not be indicative of our future results of operations".

Business flow of rail transportation control system projects

During the Track Record Period, the bidding and contracting model for rail transportation control system projects took various forms. The project owners can post a general bid, or divide the projects into separate parts and post bids of each part on a stand-alone basis. The PRC rail transportation market has been increasing its requirements on control systems to have an overall coordinated design in order to satisfy the compatibility and interoperability requirements of various rail transportation lines and technical standards. Therefore, the market has a clear preference for one-stop rail transportation control system solutions. Our full presences across the industry value chain gives us significant advantages in the PRC market. We are able to design implementation plans that integrate full-system standards and equipment configuration, blueprint detailed construction plans, and provide specialized products and equipment. In the new construction, maintenance and upgrade markets of the railway control system, projects are conducted through independent bidding process and contracts with the terms and duration of each project specified. Furthermore, we have the complete set of rail transportation control system engineering qualifications and extensive experiences in project construction to assist our customers in controlling the quality, safety, schedule and costs of their projects.

The major steps involved in completing a rail transportation control system project are as follows:



Step	Details
Bidding	Collect information on potential projects, pursue bidding for projects under public tenders or private tenders, obtain tender documents, prepare project assessment, plan for bidding and submit bidding proposal
Signing contracts	Negotiate and draft contracts, submit the contract to our legal department for review and approval after the terms of which have been considered by each department. Upon approval, the contract with the customer is signed. We then establish a project team to coordinate the allocation of project execution responsibilities among our relevant departments and subsidiaries. Any proposed changes to the contract must be subject to re-evaluation and reviewed by the relevant department and personnel at each level
Project implementation planning	Select and settle the site, purchase fixed-assets, train staff, prepare project management plan and project quality plan, carry out planning for project implementation and obtain comprehensive insurance coverage for individual projects
Manufacturing and procurement of components and equipment	Manufacture components, select suppliers, negotiate and execute contracts, purchase and inspect raw materials and equipment upon delivery and manage warehouse logistics
Construction preparation	Review specific construction plans, inspect safety and technology conditions of construction units, apply for construction commencement permits and cooperate with the customer to inspect the on-site project management department

Step	Details
Construction and installation	Set the goal for first piece or stage and establishing a unified construction techniques and technical standards for the project; conduct self-inspection on sub-projects and sub-divisions and apply for acceptance inspection after passing such inspection
Sub-system testing and debugging	The construction team coordinates with each relevant units to determine whether the power supply and groove pipelines required by the signal and communication sub-systems satisfy the testing and debugging requirements. Each equipment supplier cooperates with the construction team to carry out sub-system testing and debugging. The system integration team is responsible for testing the signal and communication (such as ground and onboard systems) and reporting the issues identified. The construction team is responsible for rectifying such issues, and the integration team is responsible for the verification after rectification
Acceptance upon completion	Handover completion documents after acceptance upon completion
Trial operation	Continue the operation mode during the period of system testing and debugging, and manage the support for trial operation
Project closing	Complete the work summary and settlement of project accounts after completion of the project and manage and coordinate after-sales services

Material Contract Terms

Pricing

Most of our project contracts are fixed price contracts. The costs of a project are determined by our professional cost consultants and cost engineers based on a set of project costs determination procedures. Estimating the costs associated with our fixed price contracts is important to our profit. We carefully estimate the project costs prior to tendering. See "Risk Factors — Risks Relating to Our Business Operations — If we fail to accurately estimate the overall risks or costs under the contracts with our customers, or the time needed to complete the relevant projects under such contracts, we may experience cost overruns, schedule delays, lower profitability or even losses under such contracts when we perform such contracts". Our project cost control measures require us to monitor and adjust

a variety of resources and expenditures consumed in the construction process to ensure compliance with our original cost estimates, while ensuring that the construction schedule, safety and quality meet the project requirements. During the Track Record Period, we had not experienced any cost overruns that had a material adverse impact on our business, financial position and results of operations.

The selling price of our products sold domestically and abroad is not subject to the regulations imposed by the Chinese government. Generally, we adopt the cost-plus method when determining prices, but we also use market-based pricing mechanism, by comparing our competitive strengths with our competitors, taking into account the costs of R&D, manufacture and after-sales services as well as current supply and demand dynamics. Furthermore, we believe our pricing is competitive.

Credit policy and payment terms

For product sales contracts, we generally determine customer's payment terms based on a number of factors, including the previous transactions with the customer, market practices, sales volume, the customer's current financial position and the prevailing market situation. We generally require customers to pay 10% to 30% of the contract value before we make deliveries, and then pay the rest of the contract value in installments at the delivery of the goods, at the completion of inspection and acceptance by the customer, and at (i) the completion of system testing by the customer or (ii) within 30 days after commencement of actual operation as stipulated in the contracts. Under few circumstances, we may require the customers to settle the payment before delivery of the goods or upon receipt of the goods.

Our integration or system implementation contracts often provide that progress payments shall be made monthly or on a regular basis depending on the construction progress. Some contracts provide that customers should advance not less than 10% of the total construction costs for us to pay for the procurement of raw materials, engineering and construction equipment. As stipulated in the contracts, we will generally provide a letter of guarantee to our customers upon receiving the prepayment. We carefully monitor costs throughout the entire project to prevent or reduce significant cost overruns.

As of December 31, 2012, 2013 and 2014 and May 31, 2015, our trade and bills receivables (including the portion classified as non-current assets) was RMB4,564.0 million, RMB6,311.0 million, RMB7,920.3 million and RMB8,537.1 million, respectively.

Deposits

Our product sales contracts often require performance deposits and retention. The amounts of such deposits vary greatly depending on the types of product we sell.

Under our integration or system implementation contracts, we are generally required to provide the customers with various types of deposits during the term of the project, such as performance deposits and retention. Performance deposits are often provided in the amount stipulated in the

contracts and in the form of a letter of guarantee issued by commercial banks. Upon the completion of a project, customers usually withhold an amount representing 5% of the contract value as retention, which will be returned to us without interest upon expiry of the warranty period as stipulated in the contract.

Liquidated Damages

Pursuant to our integration or system implementation contracts, if the delay of a project is not caused by our negligence but by the customer, we are usually granted an extension, and will also receive reasonable compensation from the customer for any extra costs arising therefrom. If the delay is caused by our negligence, we are usually required to pay damages as stipulated, typically at an agreed rate per day and up to a maximum of 10% of the contract value. We have implemented a series of project management guidelines tailored to the characteristics and needs of each stage of a project. We have also adopted a strict employee performance appraisal mechanism and regularly inspect the performance of our subcontractors to ensure the stringent compliance with our project management guidelines. During the Track Record Period, we had not experienced any material events that would cause significant damage to our operations. If customers revise the agreed scope of work during the construction process due to design alteration or errors, we will negotiate with our customers to adjust the contract value or construction schedule according to the revised scope of work.

As for the sales of products, if we delay the delivery of goods, buyers are entitled to claim damages based on the agreed ratio stipulated in the contracts. Some sales contracts for special products also provide for other types of damage, such as suspension damages in equipment sales contracts.

Quality Warranties and Customer Service

Our integration and system implementation contracts usually provide for quality warranties between two and five years from the acceptance date of a completed project. During the quality warranty period, we are obligated to replace spare parts and provide maintenance at no additional charge. For those services beyond the scope of the contracts, we will prepare and submit a quote in light of the actual conditions. We also dispatch technical staff to provide on-site technical support and visit our customers for feedbacks regularly. During the quality warranty period, if any equipment or materials supplied by a supplier have defects or fail to satisfy the contract specifications, we are entitled to make claims against such supplier.

We provide quality warranties to our customers for all products we sell. According to the contracts we enter into, the product quality warranty is generally between one to two years. If our products malfunction within the quality warranty period, we will provide free repair services and extend the term of the quality warranty period accordingly. We make warranty provisions based on the historical malfunction frequency and repair cost of our products. If the repair cost increases significantly, we adjust such provisions.

For the years ended December 31, 2012 and 2014, the net value of quality warranty provisions charged to our income statement were RMB86.5 million and RMB36.9 million, respectively. For the year ended December 31, 2013, the net value of reversal of quality warranty provisions recorded in our income statement was RMB46.0 million. For the three months ended March 31, 2015, the net value of quality warranty provisions charged to our income statement was RMB15.3 million. For our warranty provision policy, see "Financial Information — Critical Accounting Policies and Estimates — Warranty provision."

Marketing

We conduct both online and offline brand promotion. Online promotion is primarily conducted through the Internet and electronic newspapers, while offline promotion is primarily conducted through our company brochures, corporate videoes and product manuals. In addition, we also regularly participate in industry exhibitions organized by CRC, the PRC Communications and Transportation Association (中國交通協會) and the PRC Metro Committee (中國城市軌道交通專業委員會), through demonstrating our corporate strength and image, to advertise and promote our products to professional customers.

TECHNICAL STANDARDS AND PRODUCT R&D

We have strong R&D capabilities. We are the only authorized reviewer of rail transportation control system equipment modes, technology standards and product standards in the PRC.

Formulation of Technical Standards

We are the major developer and the only authorized reviewer of rail transportation control system equipment modes and product standards in the PRC. We are designated by the National Railway Administration to formulate and revise railway control system industry standards. We are responsible for proposing and centrally managing railway control system industry standards and are responsible for managing, organizing, drafting, examining and filing for approval of the national and industry standards for signal and communication equipment modes and communication and signal system products, undertaking the interpretation and review of the industry standards for signal and communication equipment modes, signal system product and communication information system products and providing technical consultation services in connection with the established standards. As of March 31, 2015, we had developed more than 500 signal and communication design specifications and standards such as the "Railway Signal Design Specifications" and "Interim Provisions for Railway GSM-R Digital Mobile Communication System Engineering Design." We had also centrally managed more than 200 railway signal and communication equipment standards in the PRC and more than 100 railway signal system product standards in the PRC that were in effect or had been planned. We are also the authorized reviewer of industry standards for the principles of railway signal system product models, graphic codes and serial numbers in the PRC, responsible for approving and managing railway signal system product models and graphic codes in the PRC.

As of March 31, 2015, among the currently effective technical standards, we had led the formulation and revision of 199 product standards and 18 engineering construction standards. Product standards refer to the technical standards, including the structure, specifications, interface and evaluation protocol, a product or a type of products shall satisfy in order to ensure its applicability and are the technical basis for product manufacturing, evaluation, acceptance, use and maintenance. Among the product standards we participated in formulating, 12 were national standards and 183 were industry standards. As a leader in signal technologies, we have formulated 9 out of the 13 national standards and 91 out of the 159 industry standards. Engineering construction standards refer to technical standards formulated for matters that require coordination and unification such as the survey, design, construction, installation and acceptance of various projects during construction. Such standards are mainly applicable to projects such as engineering design, engineering construction and system integration. Among the engineering construction standards we participated in formulating and revising, four were national standards and 14 were industry standards. Leveraging our research and technical capability and leading industry experiences, we have played a dominant role in formulating and revising such standards.

Research and Development

We have strong R&D capabilities and innovative technologies in the rail transportation control system sector. According to the Sullivan Report, represented by the CTCS-3 technology, our self-developed technology has reached the same level of sophistication as the technologies developed by our European peers, which represent the most advanced technology in the world nowadays. As of the Latest Practicable Date, we had 700 registered patents and 186 pending patent applications in the PRC.

The world-leading technologies developed by us and used extensively in the PRC's rail transportation control system market include:

- CTCS-3 technology: The technology for real-time safety monitoring and protection of trains that exceed speed limits using a wireless communication system that monitors operating speed and intervals. This technology is applicable to high-speed railways that operate at 300 km/h and above to satisfy the operation requirement of the minimum tracking intervals being 3 minutes, and can be compatible with Europe's ETCS-2. CTCS-3 equipment designed based on this technology is important to the safe operation of high-speed trains and enhance transportation efficiency. This technology is widely used in high-speed railways in the PRC;

- Urban transit CBTC technology: The moving block-based system technology for safety protection and autopilot functions of urban transit trains. Developed based on this technology, CBTC can be applied to urban transit to satisfy the urgent demand of high traffic density, large passenger load and stringent requirements for safety and automatic operation of urban transit;

- CIPS technology: Marshalling yard integrated system technology which is based on information sharing and aims to achieve the integration of management and control. This technology integrates the decision-making, optimization, management, dispatch and control of cargo at the marshalling yard, thereby improving efficiency, reducing headcounts and achieving greater effectiveness. This technology is the world's first completely proprietary management and control integration technology, which integrates the marshalling yard automatic control system and comprehensive management information system. This technology provides a successful model for the new generation of marshalling yards modernization and is a world-leading information management system of marshalling yards;

- Applied technologies of the ZPW-2000A track circuit device: ZPW-2000A track circuit device is a fundamental safety device for detecting the location of trains and sending the status of clear locations in the railway sections ahead to trains. This ensures safe and reliable operation of train control systems, forming an important and indispensable safety component of train control systems. ZPW-2000A track circuit devices are determined as the unified mode for the PRC railway track circuit with extensive applications due to their safe transmission, system reliability and maintainability, ideal transmitting distance and high performance-to-cost ratio. Therefore, they play an important role in the safe operation of the PRC railways; and

- MATC technology: The MATC system enables automatic control in low-to-medium-speed maglev trains and has been applied to the Beijing S1 Line, the low-to-medium-speed maglev transportation model line that is about to be put into operation.

We have developed advanced technologies in relation to railway signal systems and equipment, primarily including (i) DS6 series computer-based interlocking technology, (ii) CTCS-3/CTCS-2 system equipment technologies applied in train control centers, RBC equipment, temporary speed restriction servers and railway ATP Onboard, (iii) technologies applied in basic signal system equipment such as rail switch equipment, balise and relays, (iv) CTC/TDCS technologies applied in train dispatching command, and (v) CIPS technologies applied in marshalling yards, mines and harbors. We have implemented such technologies to many railway lines such as the Beijing-Shanghai High-Speed Railway, the Wuhan-Guangzhou High-Speed Railway, the Shanghai-Nanjing High-Speed Railway and the Shanghai-Hangzhou High-Speed Railway, as well as various marshalling yards. With regard to urban transit signal systems, we have developed ATO and CBTC systems and have innovated Urbalis 888 model CBTC, which have been widely applied to a number of metro lines in Beijing, Shanghai, Changchun, Shenzhen and Wuhan. With regard to communication information systems, we have developed products such as the railway integrated video monitoring system, the image quality diagnostic system, the video analysis system, and the railway integrated intelligent monitoring system, the railway passenger service information system, the railway disaster prevention and safety monitoring system, the railway maintenance management system, the iron tower monitoring system and the metro centralized alarm system. We have successfully implemented these technologies in a number of railway and urban transit lines.

We have allocated significant resources to enhance our R&D and technological development capabilities. As of March 31, 2015, we had two ministry-level engineering technology research centers. In the PRC, each province can only have one ministry-level engineering technology research center for each industry. We also have 11 provincial enterprise technology centers and four academician workstations. In addition, we had 61 R&D laboratories, including three world-leading system laboratories under CRSCD Testing Center, namely the CTCS-3 laboratory, the urban transit ATC laboratory and the CIPS testing laboratory. We also had a number of specialized laboratories, including the RBC laboratory, Urbalis 888 model CBTC integration testing center and the CTC/TDCS laboratory. Among them, there are two CRTCC authorized laboratories, four CNAS certified laboratories and five CMA certified laboratories.

The table below sets forth information on certain of our R&D centers and key laboratories as of the March 31, 2015:

Category	Number	Name/Operating entity
Ministry-level engineering technology research centers	2	• CRSC Shanghai Rail Transportation Signal & Communication Engineering and Technology Research Center (上海軌道交通通信信號工程技術研究中心) • Beijing Engineering Technology Research Center (北京市工程技術研究中心)
Provincial enterprise technology centers	11	• 11 of our subsidiaries
Academician workstations	4	• CRSCIC • CRSCD • CRSC Shenyang • CRSCS
CRTCC authorized laboratories	2	• China Railway Signal & Communication Shanghai Telecommunication Testing Center (中國鐵路通信信號上海電信測試中心) • Signal Product Examination Station of the Product Quality Examination Center under the MOR
CNAS certified laboratories	4	• CRSCD Testing Center • CASCO iCMTC Product Testing Laboratory • Signal Product Examination Station of the Product Quality Examination Center under the MOR • CRSCE Beijing Experiment

Category	Number	Name/Operating entity
CMA certified laboratories	5	• Signal Product Examination Station of the Product Quality Examination Center under the MOR • Shenyang Signal & Communication Examination Station of CRSC • Shanghai Research Center • China Railway Signal & Communication Shanghai Telecommunication Testing Center • Monitoring and Inspection Laboratory of the CRSCD (Railway Wireless Monitoring and Inspection Center)

We have an abundant case database to support the verification of our design solutions, product R&D and system integration. Through a large number of system function tests and system implementation tests, as of March 31, 2015, we had built up a database of over 14,400 operation test cases, including CTCS-3/CTCS-2 test cases, CTCS-2+ATO test cases, urban transit CBTC/MATC test cases, and product test cases for interlocking, train control centers and railway ATP Onboard. This comprehensive database of test cases has helped us to maintain the world-leading position of our testing capability. Our world-leading CTCS-3 laboratory adopts the semi-physical simulation system and achieves the precise simulation of physical, semi-physical and all-simulated modes, which fulfills the requirements of various types of equipment-level, system-level and engineering circuitry-level simulation testing. Our world-leading CTCS-3 laboratory provides full-lifecycle technical support for the R&D of train control system technology and equipment and is the first train control system common technical support platform in the PRC. Since such laboratory commenced operation in 2008, we have completed CTCS-3/CTCS-2 testing on 39 high-speed railways including the Wuhan-Guangzhou High-Speed Railway, the Shanghai-Nanjing High-Speed Railway, the Shanghai-Hangzhou High-Speed Railway, the Beijing-Shanghai High-Speed Railway and the Guangzhou-Shenzhen High-Speed Railway; we have also completed CBTC testing on Beijing Subway Line 8 and CTCS-2+ATO testing on the Dongguan-Huizhou Railway. We are currently carrying out CTCS-3 testing on the Changsha-Kunming High-Speed Railway and the Hefei-Fuzhou High-Speed Railway.

In recognition of our R&D achievements, we had been awarded various prizes. The table below sets forth the major prizes we had obtained as of March 31, 2015:

Year	Project/product/achievement	Prize
2014	CIPS for marshalling yards	China Railway Society Science and Technology Award — First Prize (中國鐵道學會科學技術獎一等獎)

Year	Project/product/achievement	Prize
2012	Research and application on CTCS-3 level train control systems	China Railway Society Railway Technology Award — Grand Prize (中國鐵道學會鐵道科技獎特等獎)
2009	Innovation and application of Beijing-Tianjin 350km/h communication signal system integration	China Railway Society Railway Technology Award — First Prize (中國鐵道學會鐵道科技獎一等獎)
2009	Key technology and application of onboard safety control system under complex and high speed conditions	National Science and Technology Progress Award — Second Prize (國家科學技術進步獎二等獎)
2008	Experimental study on key technology used in the integrated test section of the ballastless track of the Suining-Chongqing Railway	China Railway Society Science and Technology Award — Grand Prize (中國鐵道學會科學技術獎特等獎)
2007	Research and application of CTCS-2 train control systems	MOR Science and Technology Award — First Prize (鐵道部科學技術獎一等獎)
2007	Comprehensive technology and application of heavy haul transportation for the Datong-Qinhuangdao Railway	National Science and Technology Progress Award — First Prize (國家科學技術進步獎一等獎)
2002	Comprehensive technology and equipment for railway speed upgrade projects in the PRC	National Science and Technology Progress Award — First Prize (國家科學技術進步獎一等獎)

In addition to various technical awards, the Company and 21 of our subsidiaries were accredited as High and New Tech Enterprises by the PRC government, among which, CRSC CASCO and TRSC were recognized as key high-tech enterprises under the National Torch Program; CRSC CASCO, CRSCS, CRSC Shanghai and TRSC were recognized as provincial "small-giant technology enterprises"; CRSC CASCO, CRSC Shanghai and CRCEF were recognized as provincial innovative enterprises; and CRSC CASCO received the "Leading Information Technology Enterprise in the Transportation Industry" Award.

Government-supported Research Projects

We have undertaken a number of national key science and technology projects to provide technical support for the construction of high-speed railways, railways in plateaus, frigid and high temperature areas, heavy-haul railways, speed upgrade projects and the construction of urban transit in the PRC. Sponsored by the National Science and Technology Support Program under the "11th Five-year Plan" of the PRC, we led the research on the development of high-speed train control system

technology and equipment in the PRC. Sponsored by the National Science and Technology Program under the "12th Five-year Plan" of the PRC, we led the research on three topics, including holographic operating environment perception systems, smart data transmission and processing platform for high-speed train. During the Track Record Period, we undertook 17 research projects supported by national or ministry-level government authorities and 28 research projects supported by provincial-level governments. The table below sets forth significant research projects that we undertook during the Track Record Period:

Topic	Duration	Supporting authorities	Major research content and significance
TD-LTE-based high-speed broadband communication key technology research and application verification	January 2011 to December 2014	MIIT	Conduct research and achieve application demonstration on the broadband communication system of high-speed railways supported by TD-LTE technology, with a target to provide broadband access information services to passengers
Commercialization of railway control information network integrated visual monitoring system	December 2011 to February 2014	NDRC	Endeavor to apply high-definition decoding technology, integrated network control technology, image and video quality diagnosis technology and video analysis technology in the existing railway integrated video monitoring system, with a target to bring improved user experience. We also conduct tracking research using cloud computing, massive video retrieval systems and BeiDou Satellite navigation technologies
High-speed train operation control system technology and equipment research and development	January 2009 to December 2013	MOST	Research and develop the fully proprietary CTCS-3-level train control system comprehensive equipment and design and integration application technology to achieve innovation in high-speed railway train control systems for domestic railways with a speed of more than 300km/h and a tracking interval of three minutes

Topic	Duration	Supporting authorities	Major research content and significance
Holographic operating environment perception system	January 2011 to December 2013	MOST	Construct a holographic static digital platform and a dynamic operation state perception, assessment and early warning system for the train operation environment
Smart data transmission and processing platform for high-speed train	January 2011 to December 2013	MOST	Construct a platform for track-train transmission and communication, with a target to achieve instant distribution and processing of massive train and ground data
Smart passenger service platform	January 2011 to December 2013	MOST	Construct a highly intelligent service platform for passenger information collection and passenger inquiries
Commercialization of feed back traction power supply system for urban transit	March 2011 to December 2012	MOST	Commercialize a new power supply system designed, from the environmental protection perspective, to collect surplus energy from the power supply system and feed back into the alternating current grids

Research and Development Team

As of March 31, 2015, we had a total of 3,399 employees engaged in R&D, representing 23% of our total employees. Approximately 25% of research personnel have a master's degree or above. 494 people hold advanced professional qualifications, and 51 experts enjoy National Special Stipend from State Council. Members of our R&D staff have received a number of awards and distinctions. Among them, 31 were awarded the Zhan Tianyou Railway Science and Technology Award, among which one was awarded the Zhan Tianyou Contribution Award and five were awarded the Zhan Tianyou Achievement Award; and 38 were awarded the Mao Yisheng Railway Engineer Award.

Research Cooperation

When conducting R&D activities, we have established cooperative relationships with domestic and foreign prestigious enterprises such as ALSTOM Holdings, Siemens Ltd., China and Huawei Technologies Co., Ltd. We also cooperate with universities such as Tsinghua University and Beijing

Jiaotong University. Our research cooperation efforts have primarily focused on urban transit auto-pilot technology and rail transportation train-ground communication system. The agreements between us and these institutions normally stipulate that we are responsible for the costs and expenses of research work and we will be the sole owner of the relevant intellectual property in connection with the research work.

Research and Development Expenses

R&D expenditures are expensed until technical or commercial feasibility of the relevant new products or technologies developed can be demonstrated. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our R&D expenses were RMB443.7 million, RMB585.2 million, RMB749.9 million and RMB151.0 million, respectively, representing 4.2%, 4.5%, 4.3% and 3.2% of our total revenue for the same periods, respectively.

Future Research and Development Plan

Over the next five years, we will continue to invest on our research facilities and focus on technological innovation. We will further strengthen our technological innovation of relevant technology equipment and system products. We intend to maintain the leading position of our applied technologies such as train control systems and CBTC. In addition, we plan to adjust our R&D focus from time to time by embracing industry trends and market demands. We aim to develop our own technologies for markets such as modern tram, communication and informatization systems and IoT. We strive to achieve further progress in building the technology system and developing equipment sets for rail transportation signal and communication and informatization systems.

CUSTOMERS

As of the Latest Practicable Date, we mainly provide rail transportation control system design and integration, equipment manufacturing and system implementation services to domestic and overseas customers to construct and upgrade the rail transportation control systems for railways and urban transit. In addition, we are also engaged in the businesses of general project management of municipal projects and commodities trading. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, the revenue from our top five customers represented approximately 21.0%, 24.3%, 22.4% and 18.2% of our revenue, respectively, and our revenue from our largest customer represented 7.1%, 9.1%, 7.3% and 5.3% of our total revenue for the same periods. In 2012, 2013 and 2014 and the three months ended March 31, 2015, the revenue attributable to our five largest customers accounted for less than 30% of our total revenue.

Our largest customers in 2012, 2013 and 2014 and the first three months ended March 31, 2015 were Xiangpu Railway Limited Corporation (向莆鐵路股份有限公司), Lanxin Railway Ganqing Co., Ltd. (蘭新鐵路甘青有限公司), Hukun Passenger Dedicated Line Hunan Co., Ltd. (滬昆鐵路客運專線湖南有限責任公司), and China Railway Construction Electrification Bureau Group Co. Ltd. (中國鐵

建電氣化局集團有限公司), respectively. In 2012, 2013 and 2014, we provided rail transportation control system integration services for the Xiangtang-Putian Railway, the Gansu-Qinghai Section of the Second Railway of Lanzhou-Urumqi High-Speed Railway and the Hunnan Section of Shanghai-Kunming High-Speed Railway, respectively. The Xiangtang-Putian Railway is a Class One national backbone, high-speed railway and the first high-speed railway connecting Fujian Province to the central inland regions. The Lanzhou-Urumqi High-Speed Railway, with the total mileage being 1,776 km, is currently the longest high-speed railway constructed as a single project in the world. The Changsha-Kunming High-Speed Railway is an important component of the Shanghai-Kunming High-Speed Railway, which is one of the main backbones high-speed railways of the Four Vertical and Four Horizontal High-Speed Railway Corridors in the PRC. All three aforementioned customers are subsidiaries of CRC. In the railway sector, substantially all of our customers are CRC affiliated entities. In the urban transit sector, our customers are mostly metro operation companies controlled by the local governments.

In addition, all of our top five customers during the Track Record Period were Independent Third Parties. During the Track Record Period and as of the Latest Practicable Date, to the best knowledge of our Directors, none of our Directors, Supervisors, officers, management and their respective associates or our shareholders who hold more than 5% of our issued share capital had any interest in our top five customers.

COMPONENTS, RAW MATERIALS AND SUPPLIERS

Components and Raw Materials

Based on our business demands, we purchase a variety of components and raw materials, including electronic components, wires and cables, chemical products and ferrous and non-ferrous metals. We mainly use electronic components in our manufacturing of rail transportation control system equipment, and to a lesser extent, commodities such as copper and aluminum, in our manufacturing of wires and cables. We purchase most components and raw materials from qualified domestic independent suppliers, with some components and new materials from overseas. We purchase different raw materials to meet the needs of our various types of businesses. For more information, please refer to "Financial Information — Factors Affecting Our Results of Operations — Components, Raw Materials and Labor Costs."

During the Track Record Period, we used more than 100,000 types of components and raw materials during manufacturing. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, if our total components and raw material costs had increased or decreased by 1% while all the other variables had remained unchanged, our net profit margin during the same periods would have decreased or increased by 4.9%, 5.3%, 4.3% and 4.1%, respectively. Given the wide array of components and raw materials that we use, our Directors believe that no

change in the price of any single type of component or raw material would have a material impact on our overall results of operations, and it is highly unlikely that the prices of all of such components and raw materials would increase or decrease at one time. See "Financial Information — Description of Selected Components of Our Income Statements — Cost of Sales."

We adopt various measures to reduce the impact of fluctuations in the price of components and raw materials. For example, in order to manage the exposures to the price fluctuations of copper and aluminum used for the manufacturing of cables, we have established internal policies in connection with the entry into forward commodity purchase contracts of such commodities. According to the policies, subject to the then prevailing forward contract price, we may decide to enter into forward commodity purchase contracts to hedge the price of the commodities to be used in the product sales contracts we entered into with customers for purpose of controlling our costs of raw materials under such contracts. In particular, the policies require that our Group entities shall not enter into any forward commodity purchase contracts for speculation purposes. To ensure strict compliance with such policies, we have designated personnel with accounting and operation experience at CRSC Cables and its subsidiaries, the major entities within our Group which use copper and aluminum in manufacturing and enter into forward commodity purchase contracts, to conduct on-going management of such forward commodity purchase contracts according to our policies.

Currently, the chief accountant of CRSC Cables is the major accounting personnel responsible for the general management of forward commodity purchase contracts for CRSC Cables and its subsidiaries, and each subsidiary of CRSC Cables has established a committee comprising, among others, the chairman and the general manager of such entity, and the heads of manufacturing and finance departments of such entity, to approve and execute the entry into forward commodity purchase contracts. According to our forward commodity purchase policies, we may only enter into forward commodity purchase contracts when we have a corresponding obligation to purchase raw materials under our sales contracts, and the term of such forward commodity purchase contracts shall not exceed the period during which our corresponding purchase obligations are outstanding.

In addition, each entity's annual budget to be used in connection with the purchase of forward commodity purchase contracts is subject to the review and approval of the Company. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, CRSC Cables and its subsidiaries entered into forward commodity purchase contracts with respect to copper and aluminum with a total contract value (based on the average monthly balance of the relevant forward commodity purchase contracts on hand held by such entities) of RMB162.1 million, RMB178.9 million, RMB104.0 million and RMB76.3 million, respectively. During the same periods, CRSC Cables and its subsidiaries purchased a total value of RMB325.8 million, RMB467.9 million, RMB450.8 million and RMB65.7 million, respectively, of copper and aluminum. The terms of such forward commodity purchase contracts are generally two to three months, and subject to market conditions and our requirements, we may seek replacement forward commodity purchase contracts upon expiry of the original contracts. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, we had income of RMB9.8 million, loss of RMB16.0 million, loss of RMB14.4 million and loss of RMB3.2 million, respectively, in connection with our forward commodity purchase contracts arrangements.

When procuring components and raw materials, we seek to reduce our procurement costs through a variety of measures, such as centralizing procurement, organizing bidding processes, engaging in competitive negotiations and bargainings. In addition, we monitor fluctuations in prices of components and raw materials in the market on a regular basis and proactively seek out replacement suppliers.

During the Track Record Period, we had adopted a wide range of measures to manage our exchange rate risks arising from purchasing components and raw materials from overseas suppliers and from our sales to overseas customers. At the management level, we centralize the management of our import and export operations and foreign exchange receipts and expenditures, aiming to match our foreign exchange receipts and expenditures to reduce our currency risks. At the operation level, we lock in exchange rates by issuing letters of credit to avert the exchange rate fluctuation risks. We are of the view that the aim of our diverse measures to manage our exchange rate risks during the Track Record Period has been generally achieved, as we have effectively controlled the exchange rate risks and the profits and losses from foreign currency exchanges. Therefore, under our existing scale and business model, exchange rate risks have had a limited impact on our operating results.

Procurement

We purchase most of our components and raw materials through centralized procurement. Our centralized procurement approach, together with other measures such as organizing bidding processes and engaging in competitive negotiations and bargainings, enables us to optimize our raw material procurement costs.

We have multiple sources for most of our components and raw materials to reduce possible interruptions to our business operations and reliance on individual suppliers. This helps us to maintain stability of components and raw materials procurement. Therefore, quality or delivery problems with respect to any single supplier generally will not lead to a material adverse effect on our business operations. We exercise extremely stringent control over the quality of components and raw materials that we use for our products that may affect passenger safety. Although we normally have the option to purchase components and raw materials from a number of suppliers, we will choose to purchase components and raw materials from a single supplier when there is no replacement supplier available or certain unforeseeable emergency occurs, forestalling purchases from alternative suppliers. When we purchase components and raw materials from a single supplier, we adopt a stricter supplier selection procedure. Before negotiating with a potential supplier, we will establish a negotiation team to formulate stringent evaluation standards and principal contract terms. We will then draft a negotiation outline to determine our suppliers through negotiations. After a supplier is selected, we will continue to monitor the production processes and product quality of the supplier, to ensure that their components and raw materials are timely supplied and conform to our quality standards. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any shortage or delay with respect to the supply of raw materials.

Electricity, water, oil, coal gas, natural gas, among others, are the major energy sources used in our business operations. We generally obtain these resources locally depending on the location of our factories or engineering projects. During the Track Record Period and as of the Latest Practicable Date, we had not had any material disruption in our supply of these energy sources.

Suppliers

During the Track Record Period, we had maintained stable relationships with our major suppliers and established strategic cooperation with reputable suppliers that satisfied our criteria. As of March 31, 2015, we had 1,939 qualified suppliers. We have maintained business relationships with most of our major suppliers for over five years, with more than 100 of them over 10 years. Our major suppliers include: Beijing Zhixun Tiancheng Technology Co., Ltd. (北京智訊天成技術有限公司), Siemens International Trading (Shanghai) Co. Ltd. (西門子國際貿易(上海)有限公司), China National Electric Import & Export Corp. (中國電氣進出口有限公司), Luoyang Xingyuan Copper Co., Ltd. (洛陽興元銅業有限公司), Beijing Dinghan Technology Co., Ltd. (北京鼎漢技術股份有限公司) and Bombardier Transportation Signal (Thailand) Ltd..

We evaluate and select suppliers based on various standards such as their qualifications, brand, financial position, technical capability, product and service quality. In addition, we continuously monitor and evaluate existing suppliers as to whether they can meet our requirements and standards. We have established a stringent purchase contract tracking system to conduct real-time monitoring of supplies by our suppliers. We usually need to settle purchase payments in accordance with the relevant contracts and only a few suppliers require us to pay a portion of the contract price prior to delivery. We enter into long-term supply framework agreements with certain major suppliers, and issue purchase orders specifying the volume and prices for actual purchases under such agreements. Some of the long-term supply framework agreements specified minimum purchase amounts. In addition, original purchase price specified in such framework agreements are usually valid for two years since the date of framework agreement, and corresponding adjustments will be made on an annual basis thereafter. A non-defaulting party has the right to terminate the framework agreement in the event that the other party breaches any material obligation under such agreement. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material interruptions in the supply of raw materials, parts or components required for our operations.

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, the purchases from our top five suppliers represented 6.9%, 9.2%, 9.9% and 12.1% of our total purchase costs, respectively. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, purchases from our largest supplier represented 2.1%, 2.3%, 4.1% and 6.9% of our total purchase costs, respectively. In 2012, 2013 and 2014 and the three months ended March 31, 2015, the purchases attributable to our five largest suppliers accounted for less than 30% of our total purchase costs.

All of our top five suppliers are independent third parties. As of the Latest Practicable Date, to the best knowledge of our Directors and Supervisors, none of our Directors, their respective associates or any of our shareholders who held more than 5% of our issued share capital had any interest in our top five suppliers.

Inventory

Our inventory includes raw materials, semi-finished products and finished products. We conduct regular and random inspection each year on inventory levels to reduce inventory risks and maintain an appropriate level of components and raw materials to facilitate our production activities. To support our production plan, we adjust components and raw materials inventories from time to time.

COMPETITION

Domestic Market

We have significant advantages in the PRC railway control system market. We are the sole provider of the train dispatch and command system of the National Railway Dispatch and Command Center, and our core control systems are used in railway network across the PRC. According to the Sullivan Report, by the end of 2014, in terms of the cumulative contracted mileage of completed high-speed railway control system integration projects, our winning bids for such integration projects covered 65.2% of the completed mileage of high-speed railways in the PRC. For high-speed railways with operating speed between 300 km/h and 350 km/h, our winning bids for such integration projects covered 72.3% of the completed mileage; for high-speed railways with operating speed between 200 km/h and 250 km/h, our winning bids covered 58.3% of the completed mileage. Our urban transit control system products also have a significant competitive edge in the PRC. Our core urban transit control system products and services had been used in 59 urban transit lines in operation or the control systems of which have been contracted to be built in 26 cities by the end of 2014.

In terms of revenue from the rail transportation control system market in 2014, we rank first in the world. CRCC (including its subsidiaries) and CREC (including its subsidiaries) are our major competitors in the domestic high-speed railway control system integration market. In light of the stringent safety requirements for the manufacture of equipment for high-speed railway control systems, only companies with specialized qualifications are entitled to manufacture such equipment. Therefore, CRCC (including its subsidiaries) and CREC (including its subsidiaries), as high-speed railway control system integration companies, are required to purchase relevant products from us and other aforementioned qualified companies. In domestic urban transit control system market, our major competitors are Thales SAIC Transportation System Limited Company and Beijing Traffic Control Technology Co., Ltd..

Overseas Markets

We are the largest rail transportation control system solution provider in the world in terms of revenue. During the Track Record Period, we had provided products and services to more than 10 countries and regions in the world and participated in the construction and upgrade of rail transportation control systems in these countries and regions. In the overseas markets, we face intense competition from international companies such as Bombardier Inc., Siemens AG, Ansaldo STS and ALSTOM and other major domestic market participants in overseas markets.

While continuing to expand our geographic footprint in Asia, Africa and Latin America, we also focus on penetrating key emerging markets such as India, Brazil and Eastern Europe, by leveraging our technical advantage in the area of high-speed railways. We also plan to enter the upgrade market for rail transportation in economically developed countries such as the United States. We might compete more rigorously with international peers in these markets.

QUALITY AND SAFETY

There are strict requirements on the safety and reliability of rail transportation control system, and the safety and reliability of rail transportation control system are often the key factors in our customer's decision-making process. Therefore, we place great emphasis on quality control, which is also important during our procurement and manufacture processes. We believe that superior products and reliable services are key to our success and to attract and maintain domestic and overseas customers. We have a significant amount of resources invested in product and service quality to maintain customers' confidence in us.

We carry out stringent quality control measures in line with relevant national, international and industry standards. We have established quality management systems according to ISO9001: 2008 Quality Management Systems Standard, IRIS and CMMI. All our products satisfy EN50126 Standard, a European safety management standard for railway products, and are in compliance with generally accepted international quality requirements in terms of safety, reliability, availability and maintainability. In addition, as an equipment supplier of railway control systems, we have higher standards on the safety of our products. We have strengthened product safety control during each of the design, manufacture and system installation processes in accordance with EN50128 and EN50129 standards. As a company providing system implementation services, we also strictly comply with GB/T50430 Code for Quality Management of Engineering Construction Enterprises (工程建設施工企業質量管理規範).

In terms of corporate governance mechanism, we have established an independent quality and safety management department, which is headed by the Chief Safety Officer and consists of experienced safety engineers with the relevant professional experiences. The design, verification, testing and validation of each project shall be reviewed independently by our safety engineers to ensure that such project satisfies the safety technical requirements. Our core safety products shall be studied and experimented by the safety engineer in charge before production. Any modification and adjustment of existing safety technology and product shall not be implemented unless they are reviewed and approved by the Chief Safety Officer. The Chief Safety Officer and safety engineers have a veto right over any project from quality and safety perspective. In addition, we have also established a technical expert committee in charge of optimizing and improving the decision-making mechanism of technical safety.

We have a system to guarantee product safety covering the entire industry chain and product lifecycle. We plan and specify relevant provisions and workflows at each step of our product manufacture processes, from R&D, manufacture (including pre-delivery inspection), construction and system installation (including installation acceptance inspection), system integration (including follow-up services) to post-delivery contingency coordination for system equipment, in order to ensure the performance, functionality and safety of our products. Specifically, during the Track Record Period, we continued to optimize the safety control procedures covering the entire product lifecycle. During the R&D and design process, we strictly follow the "fail-safe" principle to conduct reliability design, failure model analysis and reliability verification test for new products. The "fail-safe" principle is an international principle to guarantee product safety during product design process. Such principle requires, in order to ensure operation safety, the rail transportation signal system equipment should be able to mitigate or avoid safety hazards even when they malfunction, err or fail. According to such principle, we classify various products into level 0 to level 4 based on SIL standard when researching, developing and designing products, and require the final design of our products satisfy their respective level of safety standards with all of our core safety products satisfy the most stringent SIL4 standard. For products that satisfy SIL4 standard, the chances that their safety function malfunctions shall be limited to one time in 1,000 years to 10,000 years ($10^{-9} \leq$ Tolerable Hazard Rate $< 10^{-8}$). During the equipment manufacture, construction and installation process, we enforce manufacturing procedures and construction and installation standards in strict compliance with the design standards and blueprints. As to raw materials and components we use, in addition to the warranty provided by suppliers, we will run regular or sample tests for quality control purposes.

Meanwhile, we conscientiously conduct product quality inspection and test, continue to improve contingency plans or on-site managing solutions, establish and improve the emergency response system for safety and quality issues, and establish a dedicated team responsible for the investigation and elimination of quality and safety issues multilaterally. Moreover, we also insist on strengthening after-sales services, refining various product user manuals and training materials to give detailed descriptions on the proper procedures, emergency plans and caveats for and the potential risks and consequences resulted from improper treatments of various types of malfunctions, and promptly notifying the parties responsible for the operation of rail transportation lines to operate and manage relevant products or develop product safety control measures in strict compliance with our user

manuals and training materials. We have been constantly strengthening the traceable quality management throughout the entire product lifecycle and the product sampling tests, and placing our core safety products under the governance of the safety evaluation and certification system. During the Track Record Period, 73 of our products had been granted with SIL4 certification issued by Lloyd's Register Quality Assurance of the United Kingdom and TÜV Rheinland of Germany.

The following table sets forth the major quality standards for which our subsidiaries were accredited as of March 31, 2015:

Major standards	Our subsidiaries
ISO9001:2008	All of our subsidiaries
IRIS	13 of our subsidiaries
CMMI	5 of our subsidiaries

As of December 31, 2014, we had 537 registered engineers in our quality and safety control team, including 327 quality engineers and 210 safety engineers. They are responsible for monitoring the quality and safety of all key processes during product R&D, manufacture, construction and system integration, and are responsible for the appraisal and licensing of raw material suppliers. 419 personnel in our quality and safety control team have professional experience for more than eight years.

As of March 31, 2015, we had collected a large quantity of product test cases in our database, including 946 test cases on CTCS-3, 446 test cases on CTCS-2, 159 test cases on CTCS 2+ATO, 2,520 test cases on urban transit CBTC/MATC and 10,389 test cases on interlocking, train control center, railway ATP Onboard, among others. We incorporate the test cases into the laboratory database for scenario simulation testing in order to minimize safety risks.

During the Track Record Period, we were not subject to any significant administrative penalties as a result of violation of applicable product quality and technical supervision laws and regulations. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our safety production expenses were approximately RMB47.5 million, RMB75.3 million, RMB120.0 million and RMB23.6 million, respectively.

7.23 Incident

On July 23, 2011, on the Ningbo-Wenzhou High-Speed Railway and in Wenzhou, Zhejiang province, D301 train from Beijing South Station to Fuzhou Station collided with D3115 train from Hangzhou Station to Fuzhou South Station. Immediately after the incident, the State Council formed an investigation panel and published its incident investigation report on December 25, 2011, which disclosed the incident caused 40 fatalities and 172 people injured. The traffic was cut off for 32 hours and 35 minutes and the direct economic loss of the incident was about RMB193.7 million. The report also set forth the liabilities and issues of the relevant responsible parties, rectification measures

suggested by the investigation panel to such parties, and the proposed administrative penalties, such as dismissal, to be imposed on their principal leaders and staff. According to the incident investigation report, the "7.23 Incident" was caused by "the severe design defect of the train control system equipment, the insufficient regulatory review of equipment used in railways, and the ineffective emergency responses to the equipment malfunction caused by thunderbolt." The malfunctioned train control system equipment, the LKD2-T1 train control system, was manufactured by us, and we were identified as one of the responsible parties in the incident investigation report.

We did not receive any regulatory penalties from the government, and we did not pay any compensation in relation to the "7.23 Incident". Some of our management and employees at the time of the Incident received disciplinary penalties as summarized below:

- Cheng Ma, CRSC Corporation Group general manager and CRSC chairman at the time of the incident, was exonerated from disciplinary penalties due to his death;

- Weizhong Miao, CRSC Corporation Group deputy general manager, CRSC executive director and CEO at the time of the incident, was dismissed from his office and removed from all his positions in the Communist Party of China;

- Yangqing Rong and 10 others, employees of CRSC at the time of the incident, received disciplinary penalties of dismissal, downgrade, removal from positions in the Communist Party of China, severe warnings from the Communist Party of China or bad records in the personal files of the individuals kept by the Communist Party of China.

The relevant personnel mentioned above ceased to be our Directors or senior management since December 25, 2011, and none of the personnel who received disciplinary penalties are currently serving as our Directors, Supervisors or senior management.

Right after the incident, we proactively cooperated with relevant government authorities, took emergency measures and upgraded all relevant equipment and systems. After examining the malfunction of the on-site equipment, which is the LKD2-T1 train control system produced by us, we followed the instructions of the investigation panel and, following the lead of CRC applied emergency response measures that followed the "fail-to-safe" principle to the LKD2-T1 train control center system equipment used for the Ningbo-to-Wenzhou High-Speed Railway. At the time of the incident, including Ningbo-Wenzhou High-Speed Railway, there were altogether five railway lines in the PRC that were using the LKD2-T1 train control system equipment; in 2013, CRC arranged to have the LKD2-T1 train control center system equipment used on the aforesaid lines replaced with the LKD2-T2 train control center system equipment, so as to fundamentally eliminate the potential safety hazard of the LKD2-T1 train control center system equipment. The safety platform used by LKD2-T2 train control center system, which satisfies SIL4 safety integrity level under the European EN50126, EN50128 and EN50129 standards, has been operating safely for 15 consecutive years since 2000. Since the completion of the upgrade and up to the Latest Practicable Date, the LKD2-T2 train control system equipment of the line had been operating safely and stably.

The investigation panel suggested several rectification measures to our Company, including, "strictly following the 'fail-to-safe' principle in our product research and development," "conducting in-depth research on potential safety problems train control system may have," "improving standard system design workflow," "enhancing the Company's internal review mechanism on product design," "strengthening the system safety risk analysis" and "implementing comprehensive accident simulation testing."

Since the incident, we have conducted thorough quality and safety rectifications and reforms throughout the whole system by identifying problems, formulating measures, enforcing rectifications and conducting acceptance inspections. We have implemented the following measures to enhance our product research and development:

- we have focused on the safety and stability of high-speed railway technologies, the technical safety control in our R&D process and traceable quality management throughout the entire product life cycle and safety risk control to ensure product quality and safety starting from the root level of design phase;

- we have established a six-level reporting chain for our product research and development work, established the Chief Engineer position and the "Chief Engineer responsibility mechanism" in our technology management. We have also created independent product quality department, safety department and product testing departments;

- we have upgraded our laboratories and R&D facilities. As of March 31, 2015, we had 61 R&D laboratories, two ministry-level engineering technology research centers, 11 provincial enterprise technology centers and four academician workstations;

- we had increased our product safety expenditure from RMB47.5 million in 2012 to RMB75.3 million in 2013 and RMB120.0 million in 2014. Our product safety expenditure were RMB23.6 million for the three months ended March 31, 2015. Our total product safety expenditure during the Track Record Period were RMB266.4 million;

- our CTCS-3 laboratory adopts semi-physical simulation system structure, achieving precise simulation of physical, semi-physical and all analog modes, to satisfy the simulated testing requirements of equipment, system and engineering lines at various dimensions and provide technical safety support for the research of train control system technologies and equipment. Our world leading CTCS-3 laboratory is the first supporting platform for common train control system technologies in the PRC. In addition, we have established and improved various systems and product test cases. We have incorporated all product test cases into the database of the laboratories corresponding to each product research and development process for on-site scenario testing in order to minimize safety risks under existing technology regime and conditions.

Besides the measures implemented for our product research and development, we have also made comprehensive efforts to improve the overall management of our product quality and safety:

- in terms of internal control, we have established a long-term quality and safety mechanism, and restructured our trilevel quality and safety management structure, i.e., quality and safety monitoring from CRSC headquarters, quality and safety management centers at the subsidiary level and product quality and safety centers at each product development team. We have established an independent quality and safety management department and appointed chief safety officers in our subsidiaries at all levels where core safety products are involved;

- in terms of the quality and safety management system, all of our subsidiaries have obtained the accreditation of ISO9001:2008 Quality Management System, 13 of our subsidiaries engaged in the design and manufacture of core safety products had been accredited for IRIS certification;

- in terms of product evaluation and accreditation, all of our core safety products have been granted the SIL4 certification issued by Lloyd's Register Quality Assurance of the United Kingdom and TÜV Rheinland of Germany;

- meanwhile, in terms of corporate culture, we have promoted employees' quality and safety consciousness, and provided safety education, quality and safety knowledge and IRIS and EN5012X standards trainings to all of our employees.

Since 2012, through safety control measures, such as improving the quality and safety organization system, establishing the technical safety research and development support platform, effectively implementing the safety evaluation and independent testing mechanism and strengthening our quality and safety control capabilities, we have been vigorously carrying out our safety commitment, and have achieved stable and reliable operation of system equipment and ensured the safety of railway transportation. At the beginning of 2012, the mileage of high-speed railways in operation in the PRC was only 7,735 km and increased to 16,000 km by the end of 2014. Though the mileage of high-speed railways in operation had increased significantly, we have not experienced any material rail transportation control system safety accident.

We have properly balanced the relationship between safety and development, relentlessly focusing on product quality and safety. Saved as disclosed above, in the past ten years, we had not been identified as a responsible party in any material rail transportation safety accident by any competent government authority. Saved as disclosed above, LKD2-T1 train control system equipment was not involved in any material rail transportation control system safety accident. During the Track Record Period and up to the Latest Practicable Date, our products caused no rail transportation accident resulting in fatality or serious injury, and the compliance rate of our products remained 100% in the sampling inspection conducted by CRC each year. Based on the foregoing reasons, our Company considers the enhanced quality and safety measures we currently adopted are adequate and effective.

Based on the above, including but not limited to (i) the equipment and system upgrades by the Company, (ii) the Company's quality and safety rectifications and reforms, (iii) the improvement of the Company's overall management of its product quality and safety, and (iv) the fact that, during the Track Record Period and up to the Latest Practicable Date, the Company's products caused no rail transportation accident resulting in fatality or serious injury, and the compliance rate of the Company's products remained 100% in the sampling inspection conducted by CRC each year, the Company's internal control consultant's review and confirmation on establishment of the enhanced quality and safety measures currently adopted by the Company as well as the discussion with the Company, nothing has come to the attention of the Joint Sponsors, as non-experts with respect to quality and safety measures, that would reasonably cause the Joint Sponsors to disagree with the Company's view above.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material product returns or recalls, or any material product liability or other legal claims arising from product quality issues. The Company has not suffered any direct or indirect economic loss in connection with the 7.23 Incident, and our success rate of bidding and our revenue had increased steadily during the Track Record Period. We did not make any payment for the fee associated with replacing the train control system equipment or the compensation to the fatalities and /or injuries caused in the Incident. The replacement of the train control system equipment was conducted through the normal bidding and contracting process with CRC, with all the terms of the bidding contract consistent with customary business practice of the industry. As of the Latest Practicable Date, our Company had not been notified or requested to make any payment for any cost, fee or compensation in connection with the 7.23 Incident. During the Track Record Period, there was no actual additional cost incurred in connection with the Incident, and we had not experienced any material adverse effect on our business operation, tendering and financial performance. We do not expect we will incur any material cost in connection with the Incident, and we do not believe the Incident will have any material adverse effect on our business operation, tendering and financial performance going forward.

During the Track Record Period and up to the Latest Practicable Date, we, our current Directors and senior management had not been subject to any administrative penalties, litigations or investigations. The warranty period of the equipment used in the Ningbo-Wenzhou High-Speed Railway was two years after the construction completion and has expired before the Track Record Period, and we have not been involved in any litigations or claims resulting from the Incident as of the Latest Practicable Date. Based on the foregoing reasons, the Company believes that, the possibility for us to face future litigations on claims in connection with the 7.23 Incident is fairly remote. See "Risk Factors — Risk Relating to Our Business Operations — We may face potential product liability claims or suffer losses due to defects in our products or services".

OCCUPATIONAL HEALTH AND SAFETY

We consider occupational health and safety as an important social responsibility. Our operations involve mechanical processes, usage of electricity, welding, craning, transportation and aerial work, among others. Therefore, our employees may face certain risks of work-related injuries and accidents. We place significant emphasis on safety control to minimize incidents during our manufacturing processes that could result in injuries or casualties as far as possible. We have implemented various occupational health and safety management system standards in line with international standards with domestic certification. We have adopted a health and safety supervision and management system, consisting of government supervision, internal controls and external certifications. As of March 31, 2015, 14 of our subsidiaries had been certified as Grade B and Grade C enterprises under the National Safe Production Standardization (國家安全生產標準化). During the Track Record Period, certification associations, such as China Classification Society (中國船級社), conducted certification renewal reviews on the occupational health and safety management system of us and 30 of our subsidiaries respectively. The review panel believed that we had excellent occupational health and safely management system that continued to operate effectively and we passed the certification renewal review. As of March 31, 2015, 30 of our subsidiaries had passed GB/T 28001-2011 certification for their respective occupational health and safety management system.

We have established a safe production committee in charge of general production safety supervision and management. The safe production committee, headed by the chairman of the Board, is composed of our President, Vice President, Chief Safety Officer, Chief Engineer and chief executives of various departments.

We have formulated and implemented a number of manuals and internal policies with regard to safety control processes and standards, including safety accident reporting procedures, safety accident investigation and remedial procedures, standardized management of safe production, accident emergency plan, safety management for construction and specialized operation and incentive and punitive measures for safe production. All of our subsidiaries have safety control and management systems in place.

As of March 31, 2015, we had 210 employees responsible for production safety. We provide occupational safety and various production safety training sessions for all of our employees on a regular basis in compliance with the applicable laws and regulations.

We impose safety measures and conduct regular internal safety inspections at all stages of our operations, such as the purchase, installation and operation of new equipment, the construction of new facilities and the manufacturing of products, in order to minimize work-related accidents and injuries. We provide various healthcare benefits and insurance as well as safety education to our employees in compliance with applicable laws and regulations. We place great emphasis on occupational health management. During the Track Record Period, we had periodically monitored the working

environment and proactively dealt with potential occupational hazards in the working areas, provided our employees with comprehensive labor protection products and equipment, established occupational health records, and arranged regular health examination for our employees to protect our employees from occupational hazards effectively.

During the Track Record Period and up to the Latest Practicable Date, there had been no incident of serious injury or casualty during our manufacturing processes.

We believe that our business operations are in compliance with applicable PRC laws, regulations and rules in respect of occupational health and safety in all material aspects. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any penalties associated with any material violation of applicable PRC laws and regulations on occupational health and safety. According to our PRC legal advisor, our operations are in compliance with applicable labor and safety regulations in all material aspects.

ENVIRONMENTAL PROTECTION

We do not operate in a highly-polluting industry, and our production processes primarily involve system integration, manufacture and installation. However, we regard environmental protection as an important corporate responsibility, and place great emphasis on the establishment of environmental protection system and the implementation of environmental protection measures in our daily operations. We have a specialized environmental protection department and offer relevant training to our employees. Our operations are subject to environmental laws and regulations relating to, among other things, gas and water emissions, hazardous substances and waste management. See "Regulatory Environment — Environmental Protection". We place great emphasis on the compliance with applicable environmental protection regulations in the PRC. We and 31 of our subsidiaries have obtained ISO14001 environmental management system certification. We have been promoting energy saving and emission reduction by strengthening technology innovations and increasing relevant investment. We have established hierarchical responsibility system in terms of management appraisals, and the completion of the energy conservation and emission reduction target will have an impact on the annual performance appraisals.

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our costs for compliance with applicable environmental protection laws and regulations were approximately RMB5.3 million, RMB3.8 million, RMB5.1 million and RMB1.4 million, respectively, which were primarily used for the payment of pollutant discharge fees and purchase of environmental protection equipment.

During the Track Record Period, our operations had been in compliance with relevant environmental protection requirements, and we had not subject to any material administrative penalties as a result of violation of applicable environmental protection laws, rules and regulations.

INTERNAL CONTROL

Our internal control systems cover corporate governance, operation, management, legal matters, finance and auditing, as appropriate for our overall needs. We have established internal rules and policies, such as the Rules of Procedures for Shareholders' Meetings (股東大會議事規則), Rules of Procedures for Board Meetings (董事會議事規則), Rules of Procedures for Supervisory Committee Meetings (監事會議事規則) and detailed working rules for various committees pursuant to the PRC Company Law, the Listing Rules and other relevant regulations. These internal rules and policies have stipulated, among others, the duties and responsibilities and rules of procedures for the Shareholders' meeting, our Board, and supervisory committee. Our major decisions have been and will be made by the shareholders' meetings, Board meetings and supervisory committee meetings according to their respective authorizations pursuant to relevant laws and rules and the Articles of Association.

We have established a comprehensive risk management and internal control system to monitor, evaluate and manage financial, operational, compliance and legal risks that we are exposed to in our business activities. The Audit and Risk Management Committee has been established to, among others, assist the Board in carrying out independent review on our financial positions and the implementation of the internal control and risk management systems. For details of the composition and responsibilities of the Audit and Risk Management Committee, please refer to "Directors, Supervisors and Senior Management — Board Committees — Audit and Risk Management Committee". In terms of corporate governance and the operational management, we have established and improved various rules and procedures, detailed working rules and major procedures and regulations to form standardized management systems. In terms of risk assessment, we have established a basic risk assessment system which forms a dynamic risk assessment regime through supervising and managing daily operations. Our management carries out risk management system and evaluates the result of annual risk assessment. We and our subsidiaries have different departments to periodically evaluate our risk management and internal controls, and report the risks identified to our management. We have established emergency management mechanism, which specifies the procedures for monitoring, reporting and dealing with major emergencies and the system to trace accountability, in order to effectively manage material potential risks.

In addition, we have adopted a number of internal rules and policies governing the conduct of employees, and have set up a supervisory department at each of our headquarters and subsidiaries to closely monitor and report any on-going or potential corruption or other misconduct.

For example, for the bidding process, the company establishes the "Bidding and Competitive Negotiation Management Policy" (招標/競爭性談判管理辦法), which regulates the detailed bidding and competitive negotiation activities and applies to our entire Group with respect to our procurement and applies to all levels of bidding. To ensure our subsidiaries' compliance with the policy, we require all of our procurement biddings to be conducted on the Company's procurement and bidding on-line platform, which is supervised by the Discipline Inspection and Supervision Department and personnel. The Company's Discipline Inspection and Supervision Department performs the supervision function on the bidding process, while it could not participate in any bidding activities.

For corporate governance, the "Punishment Procedures on the Employees' Violation of the Discipline and Regulation" (員工違紀違規處理暫行規定) specifies the detailed description of the violations of production operations, finance, investment management and other aspects; the policy also defines the specific behavior that might result in violation or unauthorized activities. The related policies and regulations are communicated to employees by training and other propaganda activities.

Meanwhile, the "Discipline Inspection and Supervision Procedures on the Petition and Report" (紀檢監察信訪舉報工作管理辦法) regulates the whistleblower procedures, provides the Discipline Inspection and Supervision Department's e-mail and direct line and the management's mailbox and mobile phone, etc. After preliminary verification, The Discipline Inspection and Supervision Department could put the investigation on record. The Discipline Inspection and Supervision Department protects the confidentiality of the whistleblowing information and the privacy of the whistleblower.

For management and control over expenses on business activities, the Company has adopted a series of measures, such as "Interim Provisions on Management of Expenses on Business Activities of Management Members and Head-quarter's Employees" (領導人員和總部人員職務消費管理辦法(試行)) and "Provisions on Management of Business Activities Receptions" (公務接待管理辦法), providing the detailed requirements on management, supervision, reimbursement and budget control over different types of business activities. In particular, the Company has also issued Notice on Further Strictly Controlling and Regulating on Celebratory Events (關於進一步嚴格控制和規範舉辦節慶活動的通知) to strengthen the management and control over celebratory events, which requires all members of the Group to, among others, (i) strictly obey the spirit of "an eight-point code to cut bureaucracy and maintain close ties with the people" (關於改進工作作風、密切聯繫群眾的八項規定), (ii) reduce the expenses on celebratory events and include such expenses in their annual budgets, and (iii) submit detailed proposals and estimated expenses to the headquarters of the Company and apply for approvals at least three months prior to the proposed date of the event.

As of March 31, 2015, our supervisory departments had 88 members with considerable experience in internal control. They are responsible for the internal reviews of key steps of our business operations and risk management, including financial control, biding of projects, procurement of raw materials and equipment, recruitment of employees and management of human resources, so as to ensure compliance with internal rules, policies and applicable laws and regulations by our employees. We provide training sessions, including the study of regulations and case analysis to members of our supervisory departments on an annual basis to continuously improve their knowledge and skills required to satisfy their internal control obligations. We have strictly regulated and managed the major investment and financing activities of our Company and our subsidiaries. We have also established an anti-corruption email account and a hotline through which we are able to receive reports on our employees' misconduct. During the Track Record Period, we were not aware of any corruption or other material misconduct of our employees.

Each year, we issue a comprehensive risk management report, and compile and revise our comprehensive risk and internal control management manual. Our Directors believe that our internal control system and the existing procedures are expansive in scope and comprehensive in coverage. With our strict implementation, our Directors believe our current internal control measures and procedures are adequate and effective. Nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to disagree with the Directors' view.

LICENSES, PERMITS AND QUALIFICATIONS

Licenses and Government Permits

The regulatory and legal systems of the rail transportation control system industry in the PRC are set out in the section headed "Regulatory Environment" in this prospectus. Our Directors and PRC legal advisor believe that we operate within the approved scope of business and have obtained the requisite licenses, approvals and permits for our operations.

Qualifications of Our Team

We have various classes of qualifications covering a wide range of businesses. As of March 31, 2015, the valid national qualifications we had obtained include:

- *engineering investigation, design and supervision qualifications:* we have obtained Construction Industry (Construction Project) Professional Design Grade A Qualification (甲級建築行業(建築工程)專業設計資質), Railway Industry (Signal and Communication, Electrification) Professional Design Grade A Qualification (甲級鐵道行業(通信信號、電氣化)專業設計資質), Municipal Administration Industry (Rail Transportation Engineering) Professional Design Grade A Qualification (甲級市政行業(軌道交通工程)專業設計資質), Electronic Communication, Broadcast and Television Industries (Cable Communication, Wireless Communication, Electronic System Engineering, Broadcast and Television Transmission) Professional Design Grade A Qualification (甲級電子通信廣電行業(有限通信、無線通信、電子系統工程、廣播電視傳輸)專業設計資質), Electronic Communication, Broadcast and Television Industries (Cable Communication) Professional Design Grade B Qualification (乙級電子通信廣電行業(有線通信)專業設計資質), etc.;

- *contracting qualifications:* we have obtained Building Construction Project General Construction Contractor Grade 1 Qualification (一級房屋建築工程施工總承包資質), Municipal Utility Project General Construction Contractor Grade 1 Qualification (一級市政公用工程施工總承包資質), Mechanical and Electrical Installation Project General Construction Contractor Grade 1 Qualification (一級機電安裝工程施工總承包資質), Intelligent Building Project Professional Contractor Grade 1 Qualification (一級建築智能化工程專業承包資質), Telecommunications Project Professional Contractor Grade 1 Qualification (一級電信工程專業承包資質), Mechanical and Electrical Equipment

Installation Project Professional Contractor Grade 1 Qualification (一級機電設備安裝工程專業承包資質), Railway Electrical Project Professional Contractor Grade 1 Qualification (一級鐵路電務工程專業承包資質), Railway Electrification Project Professional Contractor Grade 2 Qualification (二級鐵路電氣化工程專業承包資質), etc.;

- *system implementation qualifications:* we have obtained Safety and Security Engineering Enterprise Grade 1 Qualification (一級安防工程企業資質), Intelligent Building Engineering Design and Construction Grade 1 Qualification (一級建築智能化工程設計與施工資質), Computer Information System Integration Enterprise Grade 1 Qualification (一級計算器信息系統集成企業資質), Communication Information Network System Integration Enterprise Grade A Qualification (甲級通信信息網絡系統集成企業資質), and Information Technology Service Operation and Maintenance Standards Compliance Certificate (信息技術服務運行維護標準符合性證書) and Roadway Traffic Project Professional Contractor Qualification for Communication, Monitoring, Toll Collection Integrated System Project (公路交通工程專業承包通信、監控、收費綜合系統工程分項資質), etc.; and

- *engineering consultation qualifications:* we have obtained Engineering Consultation Unit Grade A Qualification (甲級工程諮詢單位資格證書) and Engineering Cost Consultation Enterprise Grade A Qualification (甲級工程造價諮詢企業甲級資質證書), according to which, we can provide professional consultation services for railway, urban transit and construction industries.

The period of validity for most of the aforesaid qualifications is from two to five years and a few qualifications are subject to an annual review, such as the Safety and Security Engineering Enterprise Grade 1 Qualification (一級安防工程企業資質) obtained by our Company and CRSCIC.

We strive to comply with the requirements of such qualifications and also the certificates and qualifications held by us in terms of operation, quality control, environmental protection and safety, and will continue engaging in research and development to maintain such certificates and qualifications. In particular, the Work Safety Standardization Certificate (《安全生產標準化證書》) obtained by CRSC Tianshui Cable expired on January 18, 2015, and the Construction Enterprise Qualification Certificate (《建築業企業資質證書》) obtained by CRSCS International expired on April 29, 2015. Currently, we are in the process of applying for the extension or renewal of the aforementioned qualifications and/or certificates. To the best knowledge of our Directors, and based on the opinion of our PRC legal advisor, we have no impediment in maintaining and renewing such certificates and qualifications.

INFORMATION SYSTEM

During the Track Record Period, we had not experienced any severe disruption of operation caused by information system failure. In the next three years, we intend to upgrade and improve our information system in the following aspects: (i) upgrade the financial management system to improve the management of the various financial modules in respect of purchasing orders, sales orders and inventory; (ii) expand the application of project management system to monitor various procedures of the project operation; (iii) improve the human resources management system to better monitor employee training and administrative matters; and (iv) enhance the application of office automation system. In the next one or two years, we intend to invest approximately RMB200 million in upgrading and improving the financial management system, project management system, information management system, human resources management system, office automation system, R&D project management system, comprehensive budget management system, supplier management system, customer relationship management system, workflow management system and business intelligence system to achieve synergies among human resources, financial and knowledge management and business operation. When adopting and upgrading the information system, we purchase technologies from companies such as IBM and Oracle, and purchase software from the qualified software suppliers according to demand and system requirements. We have also entered into annual service contracts with certain relevant software suppliers in respect of upgrading and maintaining the existing software. The expected expenditure in respect of upgrading our information system will be financed by our working capital.

INTELLECTUAL PROPERTY RIGHTS

We rely on a combination of patents and trademark registrations, non-competition and trade secret laws and confidentiality agreements signed with our employees to protect our intellectual property rights. As of the Latest Practicable Date, we had 32 registered trademarks and 47 pending trademark applications, 700 registered patents and 186 pending patent applications, and 411 software copyrights in the PRC. We submit patent applications for self-developed products and technologies from time to time to proactively protect our intellectual property rights. In addition, we also own 32 unregistered proprietary technologies.

We have entered into confidentiality agreements with our research and development personnel, pursuant to which they undertake to strictly comply with internal rules, protect and not to disclose any trade secret.

We have not been involved in any litigation or legal proceedings for infringement of intellectual property rights, nor have we committed any serious infringement of the same. Details of our intellectual property rights are set out in "Appendix VI — Statutory and General Information — Further information about our business" of this prospectus.

PROPERTIES

Land Use Rights

As of the Latest Practicable Date, we held and leased 50 parcels of land with an aggregate site area of approximately 1,173,277 square meters in the PRC, which were used primarily for operation and research and development purposes.

Owned Land

As of the Latest Practicable Date, we owned land use rights of 48 parcels of land with an aggregate site area of approximately 1,156,614 square meters in the PRC with valid land use right certificates. According to our PRC legal advisor, the titles of such land use rights are clear from any disputes or potential disputes and we can legally occupy, use, profit from or otherwise dispose of such land use rights under the terms specified in the land use right certificates, pursuant to applicable PRC laws and regulations.

In addition, we owned one parcel of land with an aggregate site area of approximately 3,330 square meters with valid land use right certificates to be obtained. This parcel of land has been used for R&D purposes. We are in the process of obtaining the land use right certificates, and we have submitted the required certification application material to the government. We expect to obtain such certificates within six months after the Listing. As advised by our PRC legal advisor, there is no material legal impediment for us to obtain the land use right certificates for the afore-said land, and such land will not have a material adverse impact on our operations. The title defects in such land will not subject us to any potential administrative penalties from the governing agency, and will not constitute a material legal impediment to the Listing.

Leased Land

As of the Latest Practicable Date, we leased one parcel of land with an aggregate site area of approximately 13,333 square meters. The lessor of such parcel of land had obtained valid land use right certificate. The lease is valid and binding and we can legally occupy and use such land within the term of the lease as stipulated.

Buildings

Our Head Office is located in Beijing, China. As of the Latest Practicable Date, we owned and leased 366 buildings with an aggregate gross floor area of approximately 757,830 square meters in the PRC.

Owned Buildings

As of the Latest Practicable Date, we owned 221 buildings with an aggregate gross floor area of approximately 648,096 square meters in the PRC, among which:

- for 206 buildings with an aggregate gross floor area of approximately 455,446 square meters, we had obtained valid building ownership certificates. As advised by our PRC legal advisor, the titles of these buildings are clear from any disputes or potential disputes and we can legally occupy, use, profit from or otherwise dispose of such buildings under the terms specified in the building ownership certificates, pursuant to applicable PRC laws and regulations; and

- for 15 buildings with an aggregate gross floor area of approximately 192,650 square meters, we had not yet obtained valid building ownership certificates, among which:

  - the building ownership certificates of 5 buildings with an aggregate gross floor area of approximately 220 square meters were under the names of enterprises prior to the reorganization and the title transfer procedures were yet to be completed. These buildings are primarily used for residential and office purposes and are in safe conditions. The title transfer procedures for such buildings are expected to be completed soon. As advised by our PRC legal advisor, there is no material legal impediment for us to complete the title transfer procedures, and the title defects in such buildings will not subject us to any potential administrative penalties from the governing agency.

  - the building ownership certificates for 10 buildings with a total gross floor area of approximately 192,430 square meters were yet to be obtained. We obtained three of these buildings, with a total gross floor area of approximately 349 square meters, through transfers, and had paid the transfer price after we signed the effective transfer agreement. The rest seven buildings are all self-built. These buildings are used for industrial, residential and office purposes and are in safe conditions. All of such buildings are clear from any disputes. As advised by our PRC legal advisor, there is no material legal impediment for us to complete the title transfer procedures or to obtain the building ownership certificates of such buildings, and the title defects in such buildings will not subject us to any potential administrative penalties from the governing agency.

As advised by our PRC legal advisor, such defective properties are not eligible for sale or pledge, and such defects will neither have a material and adverse impact on our operations nor constitute a material legal impediment to the Listing.

Leased Buildings

As of the Latest Practicable Date, we leased 145 buildings with an aggregate gross floor area of approximately 109,734 square meters in the PRC. The lessors of 125 buildings with an aggregate gross floor area of approximately 86,027 square meters had obtained valid building ownership certificates, while the lessors of the remaining 20 buildings with an aggregate gross floor area of approximately 23,706 square meters, used for manufacture, office and dormitory purposes, had not obtained valid building ownership certificates. However, as advised by our PRC legal advisor, there is no material legal impediment for us to lease and use the aforesaid buildings. We had not registered all of the lease agreements with relevant regulatory authorities. The lack of lease registration may subject us to an administrative penalty of up to RMB10,000. Our PRC legal advisor is of the view that the failure to register these leases will neither affect the legality and validity of such leases and our lawful rights to use such buildings nor constitute a material legal impediment to the Listing.

In general, we consider that such defective properties are not crucial to our core business. Our Directors believe that such properties are of safe conditions. We believe we can relocate in a timely manner at minimal expenses without material impact on our business or financial position. There will be no significant difference in rental expenses we would have to pay if the leased properties did not have defective titles. Therefore, our Directors are of the view that the title defects of such properties will not individually or in aggregate have a material impact on our operations.

Projects under Development and Construction in Progress

Projects under development

As of the Latest Practicable Date, we had one project under development, which was an upgrade project for our existing production lines and related ancillary facilities. As advised by our PRC legal advisor, all necessary legal proceedings for this project have been duly fulfilled.

Construction in progress

As of the Latest Practicable Date, we had three construction projects in progress with an aggregate site area of approximately 184,552 square meters. For one project with an aggregate site area of approximately 51,725 square meters, we had obtained a land use right certificate. For the project with an aggregate site area of approximately 19,160 square meters, we had entered into a binding land transfer agreement with local bureau of land and resources, and were in the process of applying for the land use right certificate. For the remaining project with an aggregate site area of approximately 113,667 square meters, we had obtained a construction land use right approval from local bureau of land and resources. As advised by our PRC legal advisor, all necessary legal proceedings for such projects at their respective stage have been duly fulfilled.

Overseas Properties

As of March 31, 2015, we leased buildings with an aggregate gross floor area of approximately 1,000 square meters and parcels of land with an aggregate site area of approximately 3,200 square meters in Uzbekistan, Ethiopia and Vietnam from independent third parties. Our Directors believe that the leases had been entered into pursuant to local laws and regulations, and are valid and binding.

Pursuant to Chapter 5 of the Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all of our interests in land or buildings, for the reason that, as of March 31, 2015, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets.

EMPLOYEES

Currently, we have entered into employment agreements with every full-time employee, in which the position, duties, remuneration and grounds for termination are typically specified pursuant to PRC Labor Law and other relevant regulations. Some of our subsidiaries are parties to collective bargaining agreements with their employees. These collective bargaining agreements are entered into after fair and equal negotiations in accordance with all applicable laws and regulations, and are legally valid. Our employees are recruited through a strict hiring process. As of March 31, 2015, we had 15,218 full-time employees, substantially all of whom were based in the PRC. As of March 31, 2015, 4,545 of our employees held bachelor's degrees, 1,537 of our employees held master's degrees and 52 of our employees held doctorate degrees. The table below sets forth the number of our employees by their functions:

	As of March 31, 2015	
	Number of employees	*% of Total*
Integrated management personnel	3,580	23.5%
Engineering and technical personnel	6,065	39.9%
Mechanic	4,025	26.5%
Others	1,548	10.2%
Total	**15,218**	**100%**

We believe that cultivating and maintaining a team of capable and motivated managerial, technical and other employees is critical to our success. Our recruitment and retaining policies for employees take into account a number of factors, including market conditions and our business demands and expansion plans. We carry out employee performance appraisals, and our subsidiaries

have established diversified forms of dynamic appraisal mechanisms. The employee performance appraisals are conducted on regular basis and, the result of which will have an impact on employees' salary and remuneration. We aim to recruit, train and retain talented professionals through a multiple recruiting and training process and offer competitive performance-based remuneration packages and career development opportunities. We believe these initiatives have contributed to the increased employee productivity.

In addition, we also have staff members dispatched from independent employment agencies. We typically use dispatched staff for positions that have higher turnover rates and are auxiliary in nature. Such dispatched staff are employed by the third-party employment agencies. We pay labor dispatch fees to such third-party labor employment agencies, who bear the costs of salaries, social insurance and housing fund as required under PRC laws.

Our PRC employees are covered by the compulsory social security schemes (mainly the Defined Contribution Plan) under the PRC laws and regulations. According to the regulations applicable to enterprises and relevant local regulations where we operate our business, we contribute to the pension insurance, medical insurance, unemployment insurance, maternity insurance and labor injury insurance plans of our employees. The amount of the contribution is calculated based on the percentage of the employees' total salary, with the percentage set by relevant regulations. We also contribute to the housing provident fund for our employees under applicable PRC laws and regulations. The PRC government directly pays the aforesaid welfares to the eligible employees.

We have labor unions that protect the rights of our employees, assist us in attaining our economic objectives, encourage employees to participate in management decisions and assist us in mediating disputes with union members. Our subsidiaries and their operating units have established separate labor union branches. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disruption during our normal business operations due to strikes or labor disputes, and we believe that we have maintained and will continue to maintain positive relations with our employees.

INSURANCE

Pursuant to the general practice in the industry, we are required to obtain fire, liability or other property insurance for the properties, equipment or inventories in relation to our operations. We have also provided employees with pension insurance, medical insurance, unemployment insurance, work-related injury insurance, personal injury insurance and maternity insurance in compliance with the relevant PRC laws and regulations. We have also carried liability insurance for our Directors, Supervisors and major management personnel. See "Risk Factors — Risks Relating to Our Business Operations — Insurance coverage for our business, products and properties may not be sufficient".

We do not carry any third-party liability insurance to cover claims in respect of personal injury, property or environmental damages arising from accidents on our properties or relating to our operations, nor do we carry any business interruption insurance. We and our subsidiaries do not carry product liability insurance for any of our products. Such insurance policies are not mandatory according to PRC laws and regulations, and would impose additional costs on our operations, which would in turn reduce our competitiveness. See "Risk Factors — Risks Relating to Our Business Operations — We may face potential product liability claims or suffer losses due to defects in our products or services".

We believe that our current insurance coverage is in line with the industry practice. We will continue to review and assess our risk portfolio, and make necessary and appropriate adjustments to our insurance coverage in line with our needs and industry practice in the PRC. As of the Latest Practicable Date, we had not received any material claims from our customers in respect of any of our products.

SALES AND OPERATIONS IN COUNTRIES SUBJECT TO SANCTIONS

The U.S. and to a lesser extent other jurisdictions, including the E.U., Australia and the U.N., collectively have broad economic sanctions targeting Sanctioned Countries (currently including Cuba, Crimea, Sudan, Iran, Syria and North Korea). In addition, the U.S. and other jurisdictions have certain sanctions that target individuals or entities regardless of whether they are located in Sanctioned Countries. For example, the U.S. and other jurisdictions, including the E.U., impose limited sanctions targeting certain entities, individuals and sectors of the economy in Russia or parties who are determined by sanctions authorities to be involved in undermining or threatening the territorial integrity, sovereignty and independence of Ukraine. Sanctions also target certain entities and individuals in Iraq or associated with the former Iraqi government. For descriptions of sanction laws, see "Regulatory Environment — Descriptions of Sanctions Laws." During the Track Record Period, we sold rail transit communication and signal products and provided related services for certain projects in Iran, a Sanctioned Country, and Iraq. We have leased a small office in Iran in which historically three to five people provided supporting services in relation to our projects in Iran. We also entered into a marketing and promotion cooperation agreement with a Russian counterparty in January 2013. As of the Latest Practicable Date, we have generated no revenue under this agreement and understand that this agreement is not related to the Crimea region, another Sanctioned Country. Our revenue derived from countries subject to sanctions in aggregate accounted for approximately 0.02%, 1.22%, 1.09% and 0.51% of our revenue for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively. Our work on all contracts involving these countries has been completed, except (i) the contract related to a project in Iraq, expected to be completed by June 2015, (ii) three contracts related to projects in Iran, two of which are expected to be completed by the end of 2015 and 2016, respectively, and the other one for which we have suspended work for non-payment by the customer, and (iii) the contract related to Russia, where neither party to the contract has commenced performance. We will not derive in aggregate more than 2.0% of the Group's annual revenue from business related to Sanctioned Countries.

Sales and Operations

Iran

Sales and Operations

During the Track Record Period, we sold rail transit communication and signal products and provided related services, directly and indirectly, to certain entities in Iran pursuant to twelve contracts.

Our sales activities involving Iran are conducted on commercial terms in the ordinary course of business. During the Track Record Period, the payments under the relevant contracts were made in Renminbi or Euros, or in the case of one contract U.S. dollar payments. We have no knowledge that any of our sales and operations in Iran as of the Latest Practicable Date involved U.S. persons, U.S. origin items or technologies or the U.S. financial system. The revenue from our sales and business operations in Iran accounted for 0.02%, 1.22%, 0.88% and 0.51% of our total revenue for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively. Our sales and operations involving Iran during the Track Record Period are as follows:

- In 1996, we entered into a contract with a Chinese contractor to supply communication signal system for the Tehran subway (lines 1 and 2 extensions). The contract was completed in 2006, and that the warranty period ended in 2009. The contract was priced at USD49.2 million, and we have received approximately 99% of the value of the contract, which was paid in a mixture of USD and RMB. We expect to receive the remaining 1% (approximately USD 0.5 million) in 2015, and intend to amend the contract so that all remaining payments will be processed through a Chinese bank in RMB.

- In 2007, we contracted with a Chinese contractor to supply communication signal system for the Tehran subway (phases 1.1 and 1.2 of line 4). The contract was completed in 2010, and the warranty period ended in 2011. The contract was priced in Euro, and we have received approximately 99% of the value of the contract, which was paid in a mixture of Euro and RMB. We expect to receive the remaining 1% in Euro (approximately Euro 0.1 million) in 2015.

- In 2009, we entered into a contract with a private Iranian general contractor company to provide signal equipment, cables and installation services in relation to a light rail in Tabriz, Iran. We have performed and provided the bulk of the contracted products, and settled all due payments with the customer, which amounted to 85% (approximately Euro 1.0 million) of the total contract amount. We had reached an understanding with the counterparty to terminate the remaining portion of the contract. The warranty period expired in December 2014.

- In 2009, we entered into a contract with an Iranian contractor to supply urban transit ATP Onboard spare parts for the Tehran subway (line 5). The contract was completed in 2010, and the warranty period ended in 2012. No further products will be supplied under this contract. We have received approximately 93.5% of the value of the contract, which was paid in Euro. We expect to receive the remaining 6.5% in Euro (approximately Euro 0.2 million) in 2015. We do not believe but cannot entirely rule out the possibility that the Iranian contractor is an affiliate of Khatem al-Anbiya Construction Organisation (a.k.a. Khatam al-Anbiya Construction Headquarters), an entity designated by U.S., E.U. and UN sanctions. We do not think there is a material risk of sanction prosecution against us.

- In 2010, we entered into a contract with a Chinese company to supply the electronic control panel of locomotives that, to the best of our knowledge, were ultimately sold to Iran, for a total contract value of approximately RMB5.9 million. The contract was completed in 2010, and we have received payments in RMB for the full amount of the contract value. The warranty period is expected to end in December 2015.

- In 2011, we entered into a contract with a Chinese company to supply the electronic control panel of locomotives that, to the best of our knowledge, were ultimately sold to Iran, for a total contract value of approximately RMB5.3 million. The contract was completed in 2011, and we have received payments in RMB for the full amount of the contract value. The warranty period is expected to end in May 2016.

- In 2012, we entered into a contract with an Iranian state-owned general contractor, MAPNA Railway Construction and Development Company to design, supply, install rail transit communication and signal system and provide quality control in relation to a monorail project in Qom, Iran, for a total contract value of approximately Euro 7.9 million. We have received the majority of the value of the contract in Euro. Due to certain non-payment by the counterparty, we have suspended performance under this contract.

- In 2013, we entered into a contract with a Chinese company to provide cable equipment and technical services in relation to a subway line project in Tehran, Iran for the total contract value of approximately RMB59.3 million. The contract was completed in May 2013, but we expect to receive the remaining 5% (approximately RMB3.0 million) of the contract value in 2015.

- In 2013, we entered into a contract with an Iranian state-owned enterprise, Tehran Urban & Suburban Railway, to provide rail transit communication and signal equipment in relation to a subway line project in Tehran, Iran for a total contract value of approximately RMB4.2 million. The contract was completed in 2014, and we have received payments for the full amount of the contract value in RMB.

- In 2013, we entered into a contract with a Chinese company to design, supply, and install rail transit communication and signal system and provide quality control in relation to a subway line project in Tehran, Iran. We expect to perform and provide approximately 95% of the contracted products by the end of 2015. We have received 65% of the total contract amount in RMB, with another 30% (approximately RMB102.7 million) remaining to be collected from the counterparty. We may reach an agreement with the counterparty to terminate the remaining 5% of the contract. The warranty period is expected to expire in December 2016.

- In 2014, we entered into a contract with a Chinese company to provide rail transit cable equipment and technical services in relation to a subway line project in Tehran, Iran for a total contract value of approximately RMB1.0 million. The contract was completed in 2014, and we have received payments for the full amount of the contract value.

- In 2014, we entered into a contract with a Chinese company to design, supply, install rail transit communication and signal systems and provide quality control in relation to a subway line project in Tehran for a total contract value of approximately RMB74.6 million. We expect to complete the contract by the end of 2016.

All of the counterparties to the above contracts are Independent Third Parties.

In relation to the above contracts involving Iran, we have not been notified that any sanctions will be imposed on us. To our knowledge, none of the contracting parties are specifically identified on the SDN list maintained by OFAC or other restricted parties lists maintained by the E.U., Australia and the U.N. Our sales and export activities under these contracts do not involve industries or sectors that are currently subject to specific sectorial sanctions imposed by the U.S., the E.U., Australia or the U.N.

Financial Transactions

During the Track Record Period, our financial transactions for the sales to Iran and Iraq generally have been settled using Chinese banks and in RMB, except (i) one contract denominated in USD and settled in both RMB and USD depending on the customer's preference when payment has been made, (ii) one contract denominated and settled in RMB by the Iranian counterparty, using Bank Pasargad, an Iranian bank, by wire transfer payment or letter of credit through the Bank of Kunlun to us, and (iii) four contracts denominated in Euro and paid primarily in Euro, including three Iranian counterparties that paid in Euro under three respective contracts and one Chinese customer that paid in both RMB and Euro under the fourth contract; each of the three Iranian counterparties used a different Iranian bank to settle payments in Euro by wire transfer payment or letter of credit through the Bank of Kunlun to us. The three Iranian banks are Bank Tejarat Tehran Branch, Parsian Bank, and Bank Pasargad.

Parsian Bank and Pasargad Bank are considered under U.S. sanctions to be owned or controlled by the Government of Iran and as such appear on OFAC's SDN list. Bank Tejarat was designated under OFAC's proliferation of weapons of mass destruction sanctions program in January 2012. Bank Tejarat is currently designated under the E.U. Iran (nuclear proliferation) regime (with effect from April 8, 2015, it having been previously designated by the E.U. on January 24, 2012 but such designation being annulled following a successful challenge). We have not opened any account or had any other interaction with these three Iranian banks.

Bank of Kunlun is not on the SDN list nor other restricted parties lists maintained by the E.U., Australia or the U.N. Bank of Kunlun was sanctioned by OFAC in 2012 under CISADA for providing significant financial services to designated Iranian financial institutions. As a result of these sanctions, financial institutions may not open correspondent or payable-through accounts for Bank of Kunlun in the United States. Currently, no future payments are expected in USD related to any project in Sanctioned Countries, so these sanctions do not appear to affect any future payment transactions under our contracts.

Iraq

In April 2013, we entered into a contract with a Chinese company to provide railway transit signal and communication equipment for a railway construction project in Iraq for a total contract value of approximately RMB43.2 million. We have completed our performances under this contract. We expect to receive the remaining 15% of the contact value before the end of September 2015. To our knowledge, there were not any SDNs involved in this project and our activities in Iraq do not otherwise involve activities that are subject to sanctions.

Russia

In January 2013, we entered into a marketing and promotion cooperation agreement with Research & Production Center "Express" Co., Ltd., a Russian entity, relating to the marketing and promotion of: (a) certain of our rail transit communication and signal equipment and other products into the Russian market, and (b) the Russian entity's toilet sets and other products for railway vehicles into the Chinese market. To our knowledge, neither the Russian entity nor its owners are designated on any U.S., United Kingdom, or E.U. sanctions list. To date, neither us nor the Russian entity have performed under this agreement. There has been no revenue from our business activities in Russia and no business in Russia is conducted in or related to the Crimea region.

Sanction Risks

United States sanctions

After consulting with our legal adviser and taking into account their view, we believe that there is low risk that our business with countries subject to sanctions during the Track Record Period would expose us to U.S. sanctions risk under current U.S. sanctions law for the following reasons: (i) to our knowledge, our business activities in Iran, Iraq and Russia have not involved U.S. persons, U.S.-origin items or technologies or the U.S. financial system; (ii) to our knowledge, our contract counterparties related to Iran, Iraq and Russia are not on the SDN list or sanctions lists of the E.U. or other applicable jurisdictions; (iii) our sales and business activities do not involve industries or sectors (such as petroleum, energy, shipping and automotive) that are subject to sector-specific U.S. sanctions; (iv) we have implemented internal controls to ensure that we do not engage in any future activity that could put us at risk of triggering a sanctions designation or otherwise resulting in a violation of sanctions; and (v) we will ensure no future involvement of U.S. persons, U.S.-origin items or the U.S. financial system in any Iran-related activities to the extent prohibited under U.S. sanctions laws.

Otherwise, based on the above and after consulting with our legal adviser and taking into account their view, our Directors believe that our existing business activities in the countries subject to sanctions would not cause us to be targeted under current U.S. sanctions.

After consulting with our legal adviser and taking into account their view, we believe that the Relevant Persons are unlikely to face U.S. sanctions risk due to their transactions involving our Company given the limited nature and low level of revenue of our business activities in the countries subject to sanctions, assuming such Relevant Persons do not have the ability to control us and are not involved in any of our business activities related to countries subject to U.S. sanctions.

European Union sanctions

Our business activities in the countries subject to sanctions do not involve industries or sectors (such as petroleum, energy, shipping, nuclear and military) that are subject to sector-specific E.U. sanctions. We are not incorporated or constituted under the law of an E.U. member state, are not affiliated with, and do not employ, E.U. Persons. Subject to below, we do not conduct business in whole or in part in the E.U. or within its jurisdiction.

To our knowledge, we have not done business with any sanctioned entities. However, it is not possible to entirely rule out that one of our contract counterparties in Iran may be owned or controlled by an entity that is designated by the U.S., EU and UN sanctions lists, because that designated entity owns hundreds of subsidiary companies and is known to be involved in rail construction and engineering projects in Iran. We supplied urban transit ATP Onboard to be used for the Tehran subway (line 5) under this contract ("**Tehran Subway Contract**"). We have already completed our work under the Tehran Subway Contract.

Payments under the Tehran Subway Contract have been received by us in Euros, and only a small minority of the contract payment remains to be collected, which is expected to be made by our contract counterparty in Euros in 2015. Whilst to our knowledge no E.U. financial institution has been involved in any such payments, there remains a remote link to the E.U. in that the ultimate settlement of such payments may involve a Euro payment clearing through an E.U. financial institution or otherwise involve the E.U. financial system. Accordingly there is a risk that this link to the E.U. is such that we will be considered to be conducting business in part within the E.U. in respect of this contract, and therefore may be considered an E.U. Person and subject to E.U. sanctions in respect of this contract. E.U. Iran Regulation 267/2012 imposes an asset freeze and places prohibitions on making funds and economic resources available directly or indirectly to or for the benefit of designated individuals and entities. If our counterparty is owned and controlled by an E.U. designated entity, and if receipt of payment in Euros from non E.U. financial institutions, in and of itself, means that we are considered an E.U. Person, then we may be considered to have made economic resources available to a designated entity and may be required to freeze any funds received from our counterparty under this contract. However, based on the facts as we understand them and after consulting with our legal adviser, we are advised that we are unlikely to be considered an E.U. Person for the purposes of this contract and that in any event the risk of us facing an E.U. sanctions prosecution are not material.

With respect to the Tehran Subway Contract, it will be necessary for Relevant Persons to whom E.U. sanctions apply to consider whether: (i) E.U. Persons directly or indirectly breach the restrictions imposed by E.U. sanctions by participating in the Global Offering; (ii) E.U. Persons could be said to be knowingly and intentionally participating in activities the object or effect of which is to circumvent the prohibitions; and (iii) E.U. Persons risk infringing other applicable national member state legislation which may be engaged by the particular circumstance of the Global Offering. We will not use the proceeds of the Global Offering to fund or facilitate any activities or business of, with or related to any person, or in, of or with any country or territory that, at the time of such funding or facilitation, is a target of E.U. sanctions. Neither will we, either directly or indirectly use or make available, or allow to be used or made available, the proceeds of any transactions in countries or territories subject to sanctions or the proceeds of any transactions with persons or entities targeted by sanctions where such transactions would, if undertaken by an E.U. Person, constitute violation of E.U. sanctions, for the purpose of future dividend payments. Considering the above, therefore, in respect of question (i) above, it is difficult to see how E.U. Persons could be said to be making funds available to a designated entity. In addition, it is difficult to see how E.U. Persons could be said to be in receipt of funds belonging to, owned, held or controlled by any designated entity. In respect of question (ii) above, it is difficult to see how E.U. Persons could be said to be knowingly and intentionally circumventing the relevant prohibitions imposed upon them by way of their involvement in the Global Offering. In respect of question (iii) above, it is difficult to see how E.U. Persons could be exposed to any such additional E.U. sanctions related risk.

We have entered into further contracts in relation to Iran in respect of which we have received, and are expecting, payment in Euro (see the section headed "— Sales and Operations — Iran"). As described above and after consulting with our legal adviser, we are advised that there is little material

risk of our being considered an E.U. Person by virtue of receiving payment in Euro. In any case, we confirm that those contracts do not involve either entities or individuals designated under E.U. sanctions, or products which fall within the E.U. sanctions relating to Iran, and we therefore do not consider these contracts to present any E.U. sanctions risk.

Based on the above and after consulting with our legal adviser and taking into account their view, our Directors believe that: (i) it is unlikely that we could be deemed to have violated E.U. sanctions as a result of our past business activities in the countries subject to sanctions; and (ii) it is also unlikely that our existing business activities in the counties subject to E.U. sanctions would be subject to E.U. sanctions prosecution risk.

After consulting with our legal adviser and taking into account their view, we believe that, subject to the above, the Relevant Persons are unlikely to face E.U. sanctions risk due to their transactions involving our Company.

For more details, please see the section headed "Risk Factors — Risks Relating to Our Business Operations — We could be adversely affected as a result of our operations in or contracts involving certain countries that are subject to evolving economic sanctions of the U.S., U.N., E.U. and other relevant jurisdictions".

Australia sanctions

After consulting with our legal adviser and taking into account their view, we believe that our direct or indirect supply of goods and services to parties in Iran, Iraq or Russia do not involve (i) Australian persons (individuals or entities) or Australian territory, (ii) industries or sectors (such as petroleum, petrochemicals and nuclear capability), (iii) persons or entities that are specifically identified in the restricted list, or (iv) payment arrangements, which are subject to applicable Australian sanctions laws. Accordingly, there is low risk that our provision of services and supplies would expose us to Australian sanctions risk under current law.

Based on the above and after consulting with our legal adviser and taking into account their view, our Directors believe that: (i) it is unlikely that we could be deemed to have violated Australian sanctions prohibitions as a result of our past business activities in the abovementioned countries; and (ii) it is also unlikely that our existing and ongoing business activities in the abovementioned countries would be subject to Australian sanctions risk under current law.

In light of the above and after consulting with our legal adviser and taking into account their view, we also believe that the Relevant Persons are unlikely to face Australian sanctions risk due to transactions involving our Company, assuming such Relevant Persons are not subject to Australian sanctions laws, do not have the ability to control us, and are not involved in any of our business activities related to countries subject to Australia sanctions.

United Nations sanctions

U.N. sanctions are binding on U.N. member states, the domestic laws of which will determine whether further action, such as domestic legislation, is needed to impose their requirements on private parties. Accordingly, the means of implementation, the interpretation and enforcement of U.N. sanctions may differ among U.N. Member States, and we are subject not to U.N. resolutions but only to the laws of the PRC and other jurisdictions in which we do business. The risks related to these jurisdictions are discussed elsewhere in this prospectus.

Our Directors' Views

On the basis of: (i) the fact that our revenue derived from our business operations in the countries subject to sanctions in aggregate only accounted for approximately 0.02%, 1.22%, 1.09% and 0.51% of our total revenue for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively; (ii) our consultation with our legal adviser and our legal adviser's view described above; and (iii) our undertakings to the Hong Kong Stock Exchange and the internal control measures that we have implemented to ring-fence our exposure to sanctions risk in relation to our existing and ongoing as well as future potential business activities in the countries subject to sanctions (See "— Our Undertakings and Internal Control Procedures" below), our Directors believe it is unlikely that our Company would be rendered unsuitable for listing on the Hong Kong Stock Exchange.

Our Undertakings and Internal Control Procedures

We undertake to the Hong Kong Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Hong Kong Stock Exchange, to finance or facilitate any activities or business, directly or indirectly, (i) relating to or with the target of any sanction, or relating to, with, or in any countries subject to sanctions administered by the U.S., the E.U., Hong Kong, Australia or the U.N. authorities, or (ii) relating to CRSC International, one of our subsidiaries, considering the amount of its annual revenue related to projects in Iran during the Track Record Period. In addition, we also undertake to the Hong Kong Stock Exchange that we will not undertake any sanctionable transactions that would expose the Relevant Persons or us to risks of being sanctioned. If we breach any of these undertakings to the Hong Kong Stock Exchange after the Listing, it is possible that the Hong Kong Stock Exchange may delist our H Shares.

We will continuously monitor and evaluate our business and take measures to comply with our undertakings to the Hong Kong Stock Exchange and to protect the interests of our Group and our Shareholders. The following measures have been fully implemented as of the date of this prospectus.

- We will monitor and regulate the use of the net proceeds of the Global Offering as well as any other funds raised through the Hong Kong Stock Exchange, and ensure that we will not violate our undertakings to the Hong Kong Stock Exchange. In addition, we will deposit the proceeds from the Global Offering, as well as any other funds raised through the Hong Kong Stock Exchange, in a bank account separated from our other funds.

- Our Audit and Risk Management Committee ("**RM Committee**") will oversee our compliance with economic sanctions compliance policies and procedures and ensure we devote sufficient resources and maintain appropriate personnel and outside legal advisors devoted to our economic sanctions compliance.

- We have established an Overseas Special Risk Management Committee ("**OSRM Committee**") under the President's Office, consisting of the Legal Counsel ("**CLC**"), the vice president responsible for supervising the comprehensive risk management and internal control work, the vice president responsible for overseas business, the respective heads of the development and planning department ("**DP Department**"), the international cooperation department and the legal department. At least two members of the OSRM Committee will have a relevant professional background and professional knowledge of internal risk control as well as economic sanctions and export controls. The CLC will have oversight of and responsibility for the monitoring and implementation of the compliance policies and procedures concerning economic sanctions. The OSRM Committee will report to the President's Office and the RM Committee. The CLC may also appoint, and in any event will ensure that there is appointed, a compliance principal for each of our subsidiaries participating in overseas activities, who will be responsible for overseeing compliance with economic sanctions for such subsidiary.

- Our DP Department is the department that is specifically responsible for our overall risk management and internal controls, including the establishment and daily operation of our management and relevant internal control systems with respect to legal risks on economic sanctions resulting from commercial activities with or in sanctioned countries or with sanctioned individuals or entities, and coordination and integrated management in relation to our management and internal controls with respect to this risk**.** The DP Department shall report to the OSRM Committee in relation to our management and internal controls with respect to this risk. The main duties and responsibilities of the DP Department shall include ensuring that we comply with economic sanctions laws and regulations and relevant undertakings to the Hong Kong Stock Exchange, among other things.

Specifically, in order to ensure our compliance with the undertaking to the Hong Kong Stock Exchange that we will not undertake any sanctionable transactions that would expose us or the Relevant Persons to risks of being sanctioned, we have also put in place the following internal control policies and procedures as of the date of this prospectus:

- Our OSRM Committee will be responsible for (i) effectively monitoring the activities that may be subject to economic sanctions; (ii) providing guidance on the compliance with the relevant policies and procedures in relation to economic sanctions; (iii) providing guidance on the compliance with contractual covenants including those made in connection with our Global Offering and listing of H Shares on the Hong Kong Stock Exchange; and (iv) ensuring the establishment of effective policies in relation to economic sanctions.

- The CLC also reports directly to the President's Office and the RM Committee on a periodic basis regarding our compliance with economic sanctions and for particular events and issues as the CLC deems necessary.

- The DP Department monitors the commercial or other business activities of our Group which may cause us to be exposed to potential sanctions risks or breach of any relevant covenants and undertakings and evaluate whether we should engage in the relevant commercial or other business activities.

- The DP Department will prevent us from engaging in any commercial activities that may expose us to potential sanctions risks, including but not limited to the risk of being sanctioned, or breach of our contractual obligations to the underwriters and undertakings made to the Hong Kong Stock Exchange.

- The DP Department will ensure that we do not use the proceeds of the Global Offering for any business that is prohibited by sanctions. We will develop relevant internal control measures, including but not limited to depositing the proceeds from the Global Offering and other funds raised through the Hong Kong Stock Exchange into a separate bank account, separate from that of our other funds, and shall ensure the adoption of separate books and records to record the deposit and expenditure of the relevant proceeds.

- The DP Department ensures that we will make timely disclosure on the Hong Kong Stock Exchange's website if we believe our business would put Relevant Persons at risk of violating sanctions laws, or put us at risk of engaging in sanctionable activity.

- The DP Department retains external international legal counsel with relevant expertise and experience in sanctions laws on an ongoing basis to periodically review our sanctions law matters and provide recommendations and advice as necessary. Based on the advice from the external international legal counsel, the DP Department will review and update our internal control policies and procedures with respect to the sanctions risks and will supervise their implementation.

- The DP Department will arrange training with relevant personnel, such as the board of directors, senior executives, personnel within the OSRM Committee and RM Committee on the relevant laws concerning sanctions.

Our legal advisers have reviewed and evaluated these internal control measures and are of the view that these measures are adequate and effective for our Company to comply with our undertaking to the Hong Kong Stock Exchange.

Taking into account our legal advisers' view above, our Directors are of the view that these measures will provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanctions laws so as to protect the interest of our Shareholders and us. After undertaking relevant due diligence, and subject to the full implementation and enforcement of these measures, the Joint Sponsors are of the view that these measures will provide a reasonably adequate and effective internal control framework to assist the Company in identifying and monitoring any material risk relating to sanctions laws.

HISTORICAL NON-COMPLIANCE INCIDENTS

Our Directors confirm that there had been no material non-compliance incidents during the Track Record Period and up to the Latest Practicable Date. As advised by our PRC legal advisor, during the Track Record Period and up to the Latest Practicable Date, we had complied with applicable PRC laws, rules and regulations in all material aspects in relation to our operations.

LEGAL PROCEEDINGS

We may be involved in contractual disputes or legal proceedings arising from the ordinary course of business from time to time. During the Track Record Period, none of us or any of our subsidiaries was subject to any material claims, damages, losses or product returns. As of the Latest Practicable Date, no material litigation, arbitration or administrative proceedings had been threatened against the Company or any of our subsidiaries.

OVERVIEW

Our Company was established as a joint stock company on December 29, 2010. As of the Latest Practicable Date, CRSC Corporation Group was the sole Controlling Shareholder of our Company, holding approximately 96.8343% of the equity interests in our Company. Upon completion of the Global Offering (assuming no exercise of the Over-Allotment Option), CRSC Corporation Group will continue to be our sole Controlling Shareholder holding approximately 75.52% of the equity interests in the Company. The net profit of CRSC Group for the years ended December 31, 2012, 2013 and 2014 was approximately RMB4.6 million, RMB287.9 million and RMB330.7 million, respectively, and the net asset of CRSC Group as of December 31, 2014 was RMB6,892.3 million.

DELINEATION OF BUSINESS AND COMPETITION

Our Group mainly engages in the following three types of businesses: (1) design and integration, which mainly include provision of engineering, design and system integration services for rail transportation control system projects; (2) equipment manufacturing, which mainly include manufacturing and selling signal system products, communication information system products and other products; and (3) system implementation, which include provision of construction, installation, testing, maintenance services for rail transportation control system projects (collectively, the "Main Business").

CRSC Group mainly engages in the following businesses: (1) producing components (such as transformer, coil and wire cable) and providing logistics services for our Group; and (2) providing property leasing service (collectively, the "Retained Business"). The amount of CRSC Group's revenue attributable to the Group for the years ended December 31, 2012, 2013 and 2014 was approximately RMB61.9 million, RMB81.5 million and RMB76.1 million, respectively. Such amount represents 0.6%, 0.6% and 0.4% of the total revenue of the Group in the years ended December 31, 2012, 2013 and 2014, respectively. The percentage of CRSC Group's revenue (excluding certain part of the revenue generated from the business which was signed by CRSC Corporation Group before our Reorganization but was actually conducted by our Group due to the reason that the relevant third parties objected to novate these business to our Group) attributable to the Group for the years ended December 31, 2012, 2013 and 2014 was 80%, 92% and 67%, respectively.

In the Reorganization, since (i) the entitlements of certain assets with respect to the relevant components and services business could not be clearly decided at the time of our reorganization and (ii) the types of such components and services business and its production volume was immaterial to the development of our Main Business, as approved by SASAC and certain other regulatory authorities, CRSC Corporation Group did not inject such business into our Group.

As stated above, there is no existing or potential business competition between the Group and CRSC Group. As of the Latest Practicable Date, our Controlling Shareholder does not have any interest in any business (except for our Group's business) which competes or may compete with our business.

COMPETING INTERESTS OF DIRECTORS

The Directors have confirmed that, as of the Latest Practicable Date, none of them is interested in any business which competes or may compete with our business.

NON-COMPETITION UNDERTAKING

Non-Competition

On July 20, 2015, CRSC Corporation Group issued to us a non-competition undertaking (the "Non-Competition Undertaking"), which is effective in the Relevant Period (as defined below). Pursuant to the Non-Competition Undertaking, CRSC Corporation Group has confirmed that, as at the date of the Non-Competition Undertaking, CRSC Group has not engaged in or participated in any form of business activities which, directly or indirectly, compete with our Main Business. CRSC Corporation Group has also made irrevocable covenants to the Company that during the Relevant Period (as defined below), CRSC Group will not:

(i) solely or jointly with a third party, engage in or participate in, or assist in engaging in or participating in business or activity which constitute or may constitute competition with our Main Business in any manner (including but not limited to investment, merger and acquisition, associates, joint ventures, cooperation, partnership, trusteeship, contracting or leasing operation, purchase of shares or equity participation) domestically or abroad;

(ii) support, domestically or abroad, any third party to engage in or participate in any business or activity which constitute or may constitute competition with our Main Business in any form; and

(iii) intervene, in any form, directly or indirectly, in any business or activity which constitute or may constitute competition with our Main Business.

The above restrictions are not applicable to circumstances where CRSC Group invests in, holds, engages in or participates in less than 10% of the equity interests in any other listed companies which engage in business competing with our Main Business.

Options for New Business Opportunities

Pursuant to the Non-Competition Undertaking, CRSC Corporation Group undertakes that, during the Relevant Period, if CRSC Group is aware of any new business opportunity which directly or indirectly competes or may compete with our Main Business, CRSC Corporation Group will notify the Company immediately in writing, and will use its best efforts to procure that such business opportunity will be firstly offered to our Company on reasonable and fair terms and conditions. CRSC Corporation Group undertakes that our Company will have first refusal right to engage in such new business opportunity.

Our Company will decide and response in writing on whether to exercise such option within 30 days upon receipt of the written notice. CRSC Corporation Group undertakes that it will not notify any third party of such option until receiving the written response from our Company. If our Company refuses to exercise the option or fails to make the written response to CRSC Corporation Group within required time, CRSC Corporation Group may offer such option to third parties on conditions as stated in its written notice to our Company. Our Company will comply with the requirements under Chapter 14A of the Listing Rules when deciding whether to exercise its option for new business opportunities.

CRSC Corporation Group undertakes to use its best efforts to procure its Associate Companies to offer our Group with options for new business opportunities in accordance with the requirements as stated above.

Options for Acquisitions

Pursuant to the Non-Competition Undertaking, CRSC Corporation Group undertakes that, subject to applicable laws, our Group is entitled to acquire any equity interest, asset or other interest in the Retained Business from CRSC Group at any time, unless that a third party exercises its first refusal right pursuant to relevant laws or constitutional documents on the same conditions. CRSC Corporation Group also undertakes that it will use its best efforts to procure its Associate Companies to provide to our Group such option for their respective businesses in accordance with the provisions as stated in the Non-Competition Undertaking. The Company will comply with the requirements under Chapter 14A of the Listing Rules when deciding whether to exercise its option for acquisitions.

Pre-emptive Rights

CRSC Corporation Group undertakes that during the Relevant Period, if CRSC Group intends to transfer, sell or lease to any third party, or allow any third party to use or transfer or use in other forms, any interest in new businesses of CRSC Group which may directly or indirectly compete with the Main Business, CRSC Corporation Group will notify our Company with prior written notice. The conditions offered to third parties and relevant reasonable information which the Group may need in making investment decisions shall be included in such written notices.

Our Company will decide and response in writing on whether to acquire such business or interest to CRSC Corporation Group within 30 days upon receipt of the written notice from CRSC Corporation Group. CRSC Corporation Group undertakes that it will not notify any third party on its proposed transfer, sale, lease of or permit to utilize of its businesses or interests until receiving the written response from our Company. If our Company refuses to acquire such businesses or interests or fails to respond to CRSC Corporation Group within required time, CRSC Group may transfer, sell, lease its businesses or interests to or permit to use such businesses or interests by a third party on the conditions as stated in the written notice of CRSC Corporation Group. The Company will comply with the provisions under Chapter 14A of the Listing Rules when deciding on whether it will exercise the pre-emptive right.

CRSC Corporation Group undertakes that it will use its best efforts to procure its Associate Companies to grant the Group with pre-emptive right in accordance with the Non-Competition Undertaking.

FURTHER UNDERTAKINGS FROM CRSC CORPORATION GROUP

CRSC Corporation Group further undertakes that:

(i) upon request from our independent non-executive Directors, it will provide all necessary information to our independent non-executive Directors to review the compliance with and implementation of the Non-Competition Undertaking by CRSC Corporation Group and its subsidiaries;

(ii) it agrees that we can disclose the decisions made by our independent non-executive Directors regarding its compliance with and implementation of the Non-Competition Undertaking in our annual reports and announcements; and

(iii) it shall make an annual statement to our Company and our independent non-executive Directors on its compliance with the Non-Competition Undertaking for disclosure in our annual reports.

Our Company will adopt the following measures to ensure that the undertakings under the Non-Competition Undertaking are observed:

(i) we will provide our independent non-executive Directors with notices on offering or transferring the new business opportunities or pre-emptive rights provided by CRSC Corporation Group (as the case may be), within seven days upon receipt of such notices;

(ii) our independent non-executive Directors will report in our annual reports (a) the results of their review on CRSC Corporation Group's compliance with the Non-Competition Undertaking and (b) any decisions on the Company's options for new business opportunities and pre-emptive rights and basis for the decisions; and

(iii) our Directors considers that our independent non-executive Directors have sufficient experience in assessing whether or not to take up the new business opportunities or exercise the pre-emptive rights. Under appropriate or necessary circumstances, our independent non-executive Directors may appoint financial advisors or experts to provide advice on whether the options or pre-emptive rights under the Non-Competition Undertaking shall be exercised and the fees shall be borne by our Company.

The Non-Competition Undertaking will take effect from the date of this undertaking until the occurrence of one of the following events, whichever is earlier, (the "Relevant Period"):

(i) when CRSC Corporation Group ceases to be our controlling shareholder or controlling beneficial owner; or

(ii) the Shares cease to be listed on the Stock Exchange except for suspension of trading of Shares due to any reasons.

Our PRC legal advisor is of the view that the Non-Competition Undertaking does not violate relevant laws of the PRC. Upon signing of the Non-Competition Undertaking, the undertakings made by CRSC Corporation Group pursuant to the Non-Competition Undertaking are valid under the laws of the PRC and are binding on CRSC Corporation Group, and we may enforce them by courts of the PRC.

In view of (a) CRSC Corporation Group's undertaking that it will support the development of our Main Business on a priority basis; (b) the legally binding obligations of the CRSC Corporation Group under the Non-Competition Undertaking and the options for new business opportunities, options for acquisitions and the pre-emptive rights granted to the Company thereunder; and (c) the information-sharing and other mechanisms in place as described above to monitor the compliance with the Non-Competition Undertaking by CRSC Corporation Group, our Directors are of the view that our Company has taken all appropriate and practicable measures to ensure that CRSC Corporation Group will comply with its obligations under the Non-Competition Undertaking.

INDEPENDENT FROM CRSC CORPORATION GROUP

Having considered the following factors, the Directors believe that we can conduct our business independently from CRSC Corporation Group and its associates after the Listing.

Operational Independence

We are in independent possession of the ownership or the right to use the assets relating to our operations, including, among others, lands, buildings, trademarks, patents and software copyrights. Currently, we operate our Main Business independently, with independent rights to make and implement operational decisions. We have independent access to customers and suppliers and do not rely on CRSC Corporation Group with respect to client resourcing. We have sufficient capital, equipments and employees for our independent business operation.

We have our own organizational structure with independent departments, each of which is responsible for specific areas. We also maintain a set of internal control procedures to facilitate the effective operation of our business. We have adopted appropriate measures to ensure the enforceability of the Non-Competition Undertaking. For details, please refer to the subsection headed "Non-Competition Undertaking" in this section. We have also adopted a set of corporate governance manuals, such as rules with respect to the shareholders' meeting, the board meeting, the supervisory committee's meeting and the conduct of connected transactions, pursuant to relevant laws and regulations.

Our Company has some existing continuing connected transactions with CRSC Corporation Group in which CRSC Corporation Group and/or its associates may provide property leasing services, parts and accessories or general services to our Company. Considering that our Company may also source such services and products from a number of other Independent Third Parties, and that such services and products have a sufficiently competitive market, our Directors believe that our Company can easily seek independent suppliers on similar terms.

Based on the above reasons, the Directors consider that our Company is able to operate independently from our CRSC Corporation Group.

Financial Independence

We have a financial department independent from CRSC Corporation Group, which is responsible for the works with respect to our Company's financing, accounting, reporting, credit and internal control matters. We maintain bank accounts independently and do not share any bank account with CRSC Corporation Group. We make tax registration and pay tax independently with our own funds.

The Directors consider that we are able to obtain financing without relying on CRSC Corporation Group or other connected persons for their provision of any guarantees or pledges. Therefore, we operate with financial independence from CRSC Corporation Group.

Management Independence

Our Board of Directors consists of seven Directors, six of whom do not hold any directorship or senior management position in CRSC Corporation Group, and four of whom are independent non-executive Directors.

As of the Latest Practicable Date, except for our chairman, Mr. Zhou Zhiliang, who held the position of general manager at CRSC Corporation Group, our Company and CRSC Corporation Group were managed by different management members. There is no other Director, Supervisor or senior management who holds any position or bear any duty or responsibility in CRSC Corporation Group or its associates, and none of our independent non-executive Directors is related to CRSC Corporation Group.

We believe that, after the Listing, our Directors and senior management members are able to carry out their duties in the Company independently and our Company is also able to manage our business independently for the following reasons:

- the decision-making mechanism as set out in the Articles of Association includes provisions to avoid conflicts of interest, which stipulate, among others, that in the event of conflicts of interest, such as reviewing of proposals relating to transactions with CRSC Corporation Group, the Directors who are related to CRSC Corporation Group must abstain from voting and shall not be counted as quorum. Besides, when considering connected transactions, our independent non-executive Directors will review the relevant transactions;

- none of the Directors or senior management members has any equity interest in CRSC Corporation Group;

- all of our Directors are aware of their fiduciary duties of being Directors and shall, among others, act in our and our Shareholders' best interest;

- we have appointed four independent non-executive Directors, comprising more than one-third of the Board, to balance the composition of our Board for the interests of our Company and our Shareholders as a whole.

Based on the above reasons, the Directors consider that our Company is able to maintain management independence from CRSC Corporation Group.

CONNECTED TRANSACTIONS

In the ordinary and usual course of business, we have entered into certain agreements and arrangements with our connected persons (as set out below). Upon the Listing, the transactions disclosed in this section will constitute connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

CRSC Corporation Group and its associates

Upon completion of the Global Offering (whether or not the Over-allotment Option is exercised), CRSC Corporation Group will hold more than 10% of our issued share capital and will continue to be our sole Controlling Shareholder. According to Rules 14A.07(1) and (4) of the Listing Rules, CRSC Corporation Group and its associates (as defined in the Listing Rules) will become our connected persons. Accordingly, upon the Listing, the continuing transactions carried out between our Group and CRSC Corporation Group and/or its associates will constitute our continuing connected transactions as defined under Chapter 14A of the Listing Rules.

ALSTOM IC and its associates

ALSTOM IC is a company incorporated in the PRC on January 21, 2015, principally engaging in making investment and providing the enterprises it invested in with sales and purchases assistance, technical support, and consulting and management services. As of the Latest Practicable Date, ALSTOM IC was a substantial shareholder, holding 49% of the equity interests in CRSC CASCO, a non wholly-owned subsidiary of the Company. Immediately upon the Listing, ALSTOM IC will continue to hold 49% of the equity interests in CRSC CASCO and to be a substantial shareholder of CRSC CASCO. Pursuant to Rules 14A.07(1) and 14A.07(4) of the Listing Rules, ALSTOM IC and its associates are our connected persons. Accordingly, upon the Listing, the continuing transactions carried out between our Group and ALSTOM IC and/or its associates will constitute our continuing connected transactions as defined under Chapter 14A of the Listing Rules.

As of the Latest Practicable Date, ALSTOM Transport Holdings B.V. ("Alstom Transport Holdings") held 100% of the equity interests in ALSTOM IC, and will continue to hold 100% of the equity interests in ALSTOM IC immediately upon the Listing. Pursuant to Rules 14A.07(1), 14A.07(4) and 14A.13(1) of the Listing Rules, Alstom Transport Holdings is an associate of ALSTOM IC as well as our connected person. Accordingly, upon the Listing, the continuing transactions carried out between our Group and Alstom Transport Holdings will constitute our continuing connected transactions as defined under Chapter 14A of the Listing Rules.

As of the Latest Practicable Date, ALSTOM Holdings was a company which indirectly controls ALSTOM IC, and immediately after the Listing, ALSTOM Holdings will continue to control ALSTOM IC. Therefore, pursuant to Rules 14A.07(1), 14A.07(4) and 14A.13(1) of the Listing Rules, ALSTOM Holdings is an associate of ALSTOM IC as well as our connected person. ALSTOM Transport S.A. is held indirectly as to more than 30% of its equity interests by ALSTOM Holdings, and immediately after the Listing, will continue to be indirectly held as to more than 30% of its equity interests by ALSTOM Holdings. Pursuant to Rules 14A.07(1), 14A.07(4) and 14A.13(1), ALSTOM Transport S.A. is an associate of ALSTOM IC as well as our connected person. Accordingly, upon the Listing, the continuing transactions carried out between our Group and ALSTOM Transport S.A. will constitute our continuing connected transactions as defined under Chapter 14A of the Listing Rules.

FULLY EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the continuing connected transactions of our Group as set out below are exempted from compliance with the requirements of reporting, annual review, announcement and approval by independent shareholders under Chapter 14A of the Listing Rules.

(A) Property Leasing Framework Agreement

Principal terms: We have entered into a property leasing framework agreement ("Property Leasing Framework Agreement") with CRSC Corporation Group on July 19, 2015, pursuant to which, our 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 our 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 3 years commencing from the Listing Date and may be renewed with mutual consent after negotiation.

Reasons for transaction: Our Group and CRSC Corporation Group and/or its associates had been providing property leasing service for each other during and prior to the Track Record Period. The relevant properties were mainly used for dormitory, offices and a few plants. Their locations could meet the requirements of our Group and the relocation would lead to unnecessary business disruption and costs.

Pricing policy: 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 aforesaid transactions 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 0.1%. According to Rule 14A.76(1)(a) of the Listing Rules, the aforesaid continuing connected transactions are exempted from compliance with the requirements of reporting, annual review, announcement and approval by independent shareholders under Chapter 14A of the Listing Rules.

(B) **Provision of Services by CRSC Corporation Group**

Principal terms: We have entered into a general services framework agreement (the "CRSC Corporation Group General Services Framework Agreement") with CRSC Corporation Group on July 19, 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) our 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 3 years commencing from the Listing Date and may be renewed with mutual consent after negotiation.

Reasons for transaction: To satisfy production and operational requirements, CRSC Corporation Group and/or its associates have been providing logistics services to the Group over the years. Given the quality, cost, efficiency and convenience of using such services, continuing to use such services provided by CRSC Corporation Group and /or its associates will be beneficial to us.

Pricing policy: The provision of logistics service to our 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 aforesaid transactions 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 0.1%. According to Rule 14A.76(1)(a), the aforesaid continuing connected transactions are exempted from compliance with the requirements of reporting, annual review, announcement and approval by independent shareholders under Chapter 14A of the Listing Rules.

(C) **Domain Name Usage Licensing Agreement**

Principal terms: We have entered into a domain name usage licensing agreement (the "Domain Name Usage Licensing Agreement") with CRSC Corporation Group on July 19, 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.

Reasons for transaction: The Company has been using the above domain names over the years. Therefore, our Group will continue to use such domain names after the Listing in order to maintain consistency and continuity of channels of publicity of information of our Group.

The aforesaid transactions 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 transaction are less than 0.1%. According to Rule 14A.76(1)(a), the aforesaid continuing connected transactions are exempted from compliance with the requirements of reporting, annual review, announcement and approval by independent shareholders under Chapter 14A of the Listing Rules.

(D) **ALSTOM Service Agreement**

Principal terms: CRSC CASCO and ALSTOM IC entered into a service agreement ("Service Agreement") on April 27, 2015. Pursuant to the Service Agreement, 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 June 1, 2015.

Reasons for transaction: The service agreement was originally entered into between ALSTOM (China) Investment Co., Ltd. and CRSC CASCO on August 25, 2006. In April 2015, ALSTOM (China) Investment Co., Ltd. transferred all of its equity interest in CRSC CASCO to ALSTOM IC as well as this service agreement. The purpose of the Service Agreement is to assist the business development of CRSC CASCO with the management and technical experience of ALSTOM, and to provide training for employees of CRSC CASCO in the PRC by the designated personnel.

Pricing policy: During the period from March 1, 2006 to March 31, 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 is determined by the chairman and vice chairman of CRSC CASCO.

The aforesaid transactions 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 transaction are less than 1%. The above transaction is 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 exempted from compliance with the requirements of reporting, annual review, announcement and approval by independent shareholders under Chapter 14A of the Listing Rules.

(E) **U888 Technology Transfer Framework Agreement**

Principal terms: CRSC CASCO and ALSTOM Transport S.A. entered into the U888 technology transfer framework agreement ("U888 Technology Transfer Framework Agreement") on September 10, 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 ("U888 Technology and Product"). 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 March 4, 2023.

Reasons for transaction: For the purpose of providing CBTC system solutions to urban rail transit users and adapting to the developing demand of urban rail transit market, CRSC CASCO demands the introduction of U888 Technology and Product, which is exclusively owned by ALSTOM Transport S.A., therefore, CRSC CASCO introduced such technologies and products from ALSTOM Transport S.A..

Pricing policy: Based on the value of the transferred technology, the required product assembly, inspection and testing, maintenance, training as well as other services that will be provided by ALSTOM Transport S.A. during the transferring process, a price quotation will be provided by ALSTOM Transport S.A. and the final price will be determined at arm's length negotiation between both parties.

The aforesaid transactions 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 above transactions were connected transactions under the Listing Rules only because they involve connected persons at the subsidiary level, therefore, according to Rule 14A.76(1)(b) of the Listing Rules, the aforesaid continuing connected transactions are exempted from compliance with the requirements of reporting, annual review, announcement and approval by independent shareholders under Chapter 14A of the Listing Rules.

(F) **ALSTOM Mutual Supply of Technical Services**

Principal terms: We have entered into the general services framework agreement ("Alstom General Services Framework Agreements") with ALSTOM Transport S.A. and Alstom Transport Holdings, respectively, on July 13, 2015. The ALSTOM General Services Framework Agreements shall be effective from the Listing Date for a term of 3 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.

Reasons for transaction: We and ALSTOM have been providing technical services to each other, and have established a good cooperative relationship. Some of the technologies required in the operation of our projects are exclusively owned by ALSTOM. ALSTOM may provide guidance for project operation as well as installation and testing of the relevant products through its technologies and experience. At the same time, we also provide technical services to projects invested or operated by ALSTOM according to its requirements. Our provision of technical services to ALSTOM is not only as a result of our mutual cooperative relationship, but also for the purpose of expanding into the international market and promoting our technical services in overseas markets.

Pricing policy: With respect to technical services required by us, we generally select 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 us 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 aforesaid transactions 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 transaction are less than 1%. At the same time, the above transactions are connected transactions under the Listing Rules only because they involve connected persons at the subsidiary level. According to Rule 14A.76(1)(b) of the Listing Rules, the aforesaid continuing connected transactions are exempted from compliance with the requirements of reporting, annual review, announcement and approval by independent shareholders under Chapter 14A of the Listing Rules.

(G) **ALSTOM Sales**

Principal terms: We have entered into the Alstom General Services Framework Agreements with ALSTOM Transport S.A. and Alstom Transport Holdings respectively on July 13, 2015. The Alstom General Services Framework Agreements shall be effective on the Listing Date for a term of 3 years. It is subject to renewal after negotiation between the parties. 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 ("**Alstom Sales**").

Reasons for transaction: We and ALSTOM have been supplying products to each other and have established a good cooperative relationship. We will provide equipments, raw materials or parts and accessories for projects invested or operated by ALSTOM according to its requirements. We sell our products to ALSTOM not only as a result of our mutual cooperative relationship, but also for the purpose of expanding into the international market and selling our products in overseas markets.

Pricing policy: 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 aforesaid transactions 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 transaction are less than 1%. At the same time, the above transactions are connected transactions under the Listing Rules only because they involve connected persons at the subsidiary level. According to Rule 14A.76(1)(b) of the Listing Rules, the aforesaid continuing connected transactions are exempted from compliance with 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 transactions are 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, the following transactions are subject to the requirements of reporting and announcement, but are exempted from compliance with the requirement of approval by independent shareholders under Chapter 14A of the Listing Rules.

(A) **CRSC Corporation Group Purchases and Sales Framework Agreement**

Principal terms: We have entered into a purchases and sales framework agreement ("CRSC Corporation Group Purchases and Sales Framework Agreement") with CRSC Corporation Group on July 19, 2015, pursuant to which, our Group and CRSC Corporation Group and/or its associates may

purchase or sell, among others, materials, equipments, 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 our 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 3 years commencing from the Listing Date and may be renewed with mutual consent after negotiation.

Reasons for transaction: CRSC Corporation Group and/or its associates and our Group have established a long-term business relationship, and are familiar with each other's business demands and able to supply products and services required for production by each other. Our Directors consider that maintaining stable and high quality business relationship with CRSC Corporation Group and/or its associate will be favorable to our current and future production and operation. By reference to our historical business transaction experience with CRSC Corporation Group and/or its associates, we believe that our Group and CRSC Corporation Group and/or its associates will be able to satisfy the stable and high quality requirements of the other party in the relevant businesses, and maintaining business transactions with each other are in the interest of our Group and our Shareholders as a whole. In addition, during the Reorganization process, some of the project contracts signed between CRSC Corporation Group and third parties under an overseas project (the "Overseas Project") were not novated to our Group because the counterparties objected to any novation, and CRSC Corporation Group continues to be the counterparty to the contracts. Since CRSC Corporation Group has lost its capability to perform the contracts after the Reorganization, the products which should be supplied by CRSC Corporation Group to the contractual party of the Overseas Project will be sold by us to CRSC Corporation Group first and then resold by CRSC Corporation Group to the contractual party of the Overseas Project. The Overseas Project is expected to be completed in 2018.

Pricing policy: The pricing of each of the products under the CRSC Corporation Group Purchases and Sales Framework Agreement 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 our 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 our 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.

Historical amount: For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, (1) the total amount of historical transactions of purchases by our Group from CRSC Corporation Group and/or its associates were approximately RMB 60,665,000, RMB 82,793,000, RMB 84,175,000 and RMB 21,590,000, respectively; and (2) the total amount of historical transactions of sales by our Group to CRSC Corporation Group and/or its associates were approximately RMB 119,161,000, RMB 78,158,000, RMB 45,322,000 and RMB 20,124,000, respectively.[(1)]

(1) The gradual decrease of the transaction amount in each of the historical years was related to the actual progress of an existing project in each of the years, and was not regular or representative for our Group as a whole.

Annual cap: For the years ending December 31, 2015, 2016 and 2017, the maximum annual amount of purchases/sales of our Group from/to CRSC Corporation Group and/or its associates shall not exceed the following caps:

	Proposed annual cap for the year ending December 31,		
	2015	**2016**	**2017**
		(RMB'000)	
Total amount of purchases	109,629	117,912	127,648
Total amount of sales	81,332	66,345	46,367

Basis of cap: In determining the above annual caps, our Directors have considered that: (i) given the expansion of our business and rapid growth of our revenue during the Track Record Period, our demand of components is expected to increase significantly in the next three years; (ii) the Group planned to increase procurement of certain components from the relevant subsidiaries of CRSC Corporation Group, primarily for the purpose of more efficient support of the Group's projects than procuring such components from third-party suppliers, (iii) the Overseas Project is expected to complete in 2018, and the period from 2015 to 2017 will be the major construction stage, which is expected to lead the demand of the relevant products and materials to increase substantially; and (iv) prices of the components we purchase from CRSC Corporation Group and the products and materials we provided for CRSC Corporation Group under the Overseas Project may increase according to market conditions.

(B) **Purchase of Services by CRSC Corporation Group**

Principal terms: According to the CRSC Corporation Group General Services Framework Agreement entered into between us and CRSC Corporation Group on July 19, 2015, our 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) that except for public tender, both parties must confirm the service demand schedule for the next year or

the service adjustment schedule of the current year on a stipulate date of each year; (3) that our 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) that the CRSC Corporation Group General Services Framework Agreement will have a term of 3 years commencing from the Listing Date and may be renewed with mutual consent after negotiation.

Reasons for transaction: During the Reorganization process, some residential and ancillary properties and a few operating buildings have been retained by CRSC Corporation Group and its subsidiaries pursuant to the Reorganization Agreement at nil consideration. Since such properties have been managed by our Group, in order to facilitate subsequent management and utilization of such properties, CRSC Corporation Group entrusted such properties to us for management. In addition, during the Reorganization process, some of the project contracts signed between CRSC Corporation Group and third parties under the Overseas Project were not novated to our Group because the counterparties objected to any novation, and CRSC Corporation Group continues to be the counterparty to the contracts. Since CRSC Corporation Group has lost its capability to perform the contracts after reorganization and reform, the technical services under the agreements will be supplied by us to the contractual party of the Overseas Project. The Overseas Project is expected to complete in 2018.

Pricing policy: 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 our 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 our 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.

Historical amount: For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, the total amount of historical transactions of integrated services provided by our Group to CRSC Corporation Group and/or its associates were approximately RMB39,016,000, RMB6,390,000, RMB248,000 and nil, respectively[(1)].

---

(1) The decrease of the transaction amount in each of the historical years was related to the actual progress of an existing project in each of the years, and was not regular or representative for our Group as a whole.

Annual cap: For the years ending December 31, 2015, 2016 and 2017, the total amount of integrated service transactions provided by our Group to CRSC Corporation Group and its associates shall not exceed the following caps:

	Proposed annual cap for the year ending December 31,		
	2015	**2016**	**2017**
		(RMB'000)	
Provision of services	35,000	30,000	25,000

Basis of cap: In determining the above annual caps, our Directors have considered that an overseas project is expected to complete in 2018, and the period from 2015 to 2017 will be the major construction stage. Thus, the demand of relevant services during the major construction stage is expected to increase substantially. Besides, prices of the products and materials we provided for CRSC Corporation Group under this project may increase according to market conditions.

(C) **ALSTOM Purchases**

Principal terms: We have entered into general services framework agreements ("Alstom General Services Framework Agreements") with ALSTOM Transport S.A. and Alstom Transport Holdings, respectively, on July 13, 2015. The Alstom General Services Framework Agreements shall be effective from the Listing Date for a term of 3 years. It is 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 ("**Alstom Purchases**").

Reasons for transaction: We and ALSTOM have been supplying products to each other and have established a good cooperative relationship. Moreover, some of the raw materials and equipments purchased by us from ALSTOM are customized ancillary products of the technical service system provided to us by ALSTOM, and other suppliers do not have the qualification of supplying equivalent products.

Pricing policy: With respect to products required by us, we generally select 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.

Historical amount: For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, the total amount of purchases made by our Group from ALSTOM Holdings and/or its subsidiaries were approximately RMB18,931,000, RMB 53,285,000, RMB 62,789,000 and RMB 53,259,000, respectively.

Annual cap: For the years ending December 31, 2015, 2016 and 2017, the total amount of purchases made by our Group from ALSTOM Holdings and/or its subsidiaries shall not exceed the following caps:

	Proposed annual cap for the year ending December 31,		
	2015	**2016**	**2017**
		(RMB'000)	
Total amount of purchases	153,880[(1)]	90,510	91,640

(1) The amount is larger in 2015 due to the delivery of a metro overhaul project.

Basis of cap: In determining the above annual caps, our Directors have considered that: (i) the delivery of a metro overhaul project is due in 2015; (ii) we will continue to purchase products under some existing purchasing contracts; and (iii) we are closely tracking some potential new projects and have taken into account the estimated demand of ALSTOM products under these potential new projects.

APPLICATION FOR WAIVER OF CONTINUING CONNECTED TRANSACTIONS

By using the above proposed annual caps as the numerators for the calculation of percentage ratios, the relevant percentage ratios calculated for the relevant transactions under the CRSC Corporation Group Purchases and Sales Framework Agreement and the purchases of services by CRSC Corporation Group under the CRSC Corporation Group General Services Framework Agreement pursuant to Chapter 14A of the Listing Rules will be more than 0.1% but less than 5%, and the relevant percentage ratio calculated for the ALSTOM Purchases transactions under the Alstom General Services Framework Agreements pursuant to Chapter 14A of the Listing Rules will be more than 1% but less than 5%. Therefore, according to Rules 14A.73(1), 14A.74 and 14A.76(2)(a) and (b) of the Listing Rules, the transactions contemplated under the above agreements are subject to the requirements of reporting, announcement and annual review under Chapter 14A of the Listing Rules but are exempted from compliance with the requirements of approval by independent shareholders. Since the above partially exempted continuing connected transactions will be carried out frequently, the Directors are of the view that strict compliance with the requirement of announcement will not be practicable and unnecessary administrative expenses will be incurred by the Company. Therefore, the Company has made an application to the Stock Exchange and has been granted a waiver by the Stock Exchange from strict compliance with the announcement requirements with respect to connected transactions as set out in Chapter 14A of the Listing Rules in Hong Kong. The aforesaid waiver will expire on December 31, 2017.

In case of any future amendment to the Listing Rules which is stricter than the requirements applicable to continuing connected transactions mentioned in this prospectus, the Company will take appropriate measures to ensure that relevant new requirements are complied with within a reasonable time period.

CONFIRMATION BY DIRECTORS

Our Directors (including independent non-executive Directors) believe that: (i) the aforesaid non-exempt continuing connected transactions have been and will be entered into on normal commercial terms in the ordinary and usual course of business, which are fair and reasonable and in the interest of the Company and its shareholders as a whole; and (ii) the proposed annual caps of such transactions are also fair and reasonable and in the interest of the Company and its shareholders as a whole.

CONFIRMATION BY JOINT SPONSORS

The Joint Sponsors believe that: (i) the aforesaid non-exempt continuing connected transactions have been and will be entered into on normal commercial terms in the ordinary and usual course of business, which are fair and reasonable and in the interests of the Company and the shareholders as a whole; and (ii) the proposed annual caps of such transactions are also fair and reasonable and in the interest of the Company and the shareholders as a whole.

OVERVIEW

The Board of the Company consists of 7 Directors, including 3 executive Directors and 4 independent non-executive Directors. Directors serve for a term of three years and shall be subject to re-election upon expiration of their respective terms of office.

The PRC Company Law requires a joint stock limited liability company to establish a Supervisory Committee, and such requirement is also set out in our Articles of Association. The Supervisory Committee of the Company consists of 3 members, including 1 employee representative Supervisor. Supervisors serve a term of three years and shall be subject to re-election upon expiration of their respective terms of office.

Senior management is responsible for the Company's day-to-day production and operation.

The following table sets forth certain information regarding the Directors, the Supervisors and senior management. All of the Directors, the Supervisors and senior management have satisfied with the qualification requirements under the relevant PRC laws and regulations and the Listing Rules for their respective positions.

The following table sets forth certain information regarding the Directors.

Name	Age	Title	Date of joining the Company	Date of appointment as a director	Principal roles and responsibilities
ZHOU Zhiliang (周志亮)	50	Executive Director, Chairman	January 9, 2012	January 31, 2012	Overseeing the overall work of the Board, and formulating the Company's strategies
LI Yanqing (李燕青)	59	Executive Director, Vice Chairwoman	December 29, 2010	December 29, 2010	Assisting with the work of our chairman, and supervising the implementation of Board resolutions
YIN Gang (尹剛)	52	Executive Director, President	December 29, 2010	May 21, 2015	Overseeing the management of the Company's daily production and operations

Name	Age	Title	Date of joining the Company	Date of appointment as a director	Principal roles and responsibilities
WANG Jiajie (王嘉傑)	64	Independent Non-executive Director	May 21, 2015	May 21, 2015	Providing advices with regard to the corporate governance, connected transactions, the Company's business strategies, the nomination of Directors and senior management of our Company, and auditing and risk management
SUN Patrick (辛定華)	56	Independent Non-executive Director	May 21, 2015	May 21, 2015	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)	60	Independent Non-executive Director	May 21, 2015	May 21, 2015	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

Name	Age	Title	Date of joining the Company	Date of appointment as a director	Principal roles and responsibilities
GAO Shutang (高樹堂)	65	Independent Non-executive Director	May 21, 2015	May 21, 2015	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

The following table sets forth certain information regarding the Supervisors.

Name	Age	Position/title/ responsibility	Date of joining the company	Date of appointment as a supervisor	Principal roles and responsibilities
TIAN Liyan (田麗豔)	41	Chairwoman of the Supervisory Committee	May 21, 2015	May 21, 2015	Overall work of the Supervisory Committee, organizing and supervising the management and the Board of Directors, making relevant suggestions
GAO Fan (高帆)	40	Supervisor	May 21, 2015	May 21, 2015	Supervising operations and financial activities
ZHAO Xiumei (趙秀梅)	41	Supervisor (Employee Representative Supervisor)	December 29, 2010	May 21, 2015	Supervising operations and financial activities

The following table sets forth certain information regarding senior management of Our Company.

Name	Age	Position/title/ responsibility	Date of joining the company	Date of appointment as a senior management member	Principal roles and responsibilities
YIN Gang (尹剛)	52	President, Executive Director	December 29, 2010	May 22, 2015	Overseeing the management of the Company's daily production and operations
KONG Ning (孔寧)	50	General Accountant	December 29, 2010	December 29, 2010	In charge of our financial work
CHEN Hong (陳紅)	52	Vice President	December 29, 2010	April 18, 2013	Assisting the president in daily production and operation
HUANG Weizhong (黃衛中)	49	Vice President	April 18, 2013	April 18, 2013	Assisting the president in daily production and operation
HU Shaofeng (胡少峰)	48	Board Secretary, Deputy General Accountant	July 4, 2012	May 29, 2013	In charge of information disclosure, investor relationship coordination, and preparation of general meetings and Board meetings

DIRECTORS

Executive Directors

Mr. ZHOU Zhiliang, aged 50, has been the Company's chairman since January 31, 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 (第二勘測設計處) of, director at No.2 Railway Survey and Design Institute (第二勘測設計研究處) 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 59, has been the Company's vice chairwoman since December 29, 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.

Mr. YIN Gang, aged 52, has been appointed as an executive Director since May 21, 2015 and president of the Company since May 22, 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 (沈陽鐵路信號工廠) (the predecessor of CRSC Shenyang).

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 64, has been appointed as the Company's independent non-executive Director since May 21, 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 China Renmin University (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 China Renmin University with a bachelor's degree in law in February 1983.

Mr. SUN Patrick, aged 56, has been appointed as the Company's independent non-executive Director since May 21, 2015, and is mainly responsible for providing advice with regard to corporate governance, connected transactions, remuneration of the Directors and senior management of the Company and auditing and risk management.

Mr. Sun currently serves as independent non-executive directors of several companies listed on the Hong Kong Stock Exchange, including CRRC Corporation Limited (中國中車股份有限公司) (stock code: 1766) since May 2015, China Railway Construction Corporation Limited (中國鐵建股份有限公司) (stock code: 1186) since October 2014, Sihuan Pharmaceutical Holdings Group Ltd. (四環醫藥控股集團有限公司) (stock code: 0460) since October 2010, China NT Pharma Group Company (中國泰凌醫藥集團有限公司) (stock code: 1011) since March 2010, Trinity Limited (利邦控股有限公司) (stock code: 0891) since October 2008. Mr. Sun served as an independent non-executive director of China Railway Group Limited (中國中鐵股份有限公司) (stock code: 0390) from September 2007 to June 2014, Solomon Systech (International) Limited (stock code: 2878) from February 2004 to June 2015, and China CNR Corporation Limited (中國北車股份有限公司) (stock code: 06199) from February 2012 to May 2015. Mr. Sun served as a non-executive director of Renhe Commercial Holdings Company Limited (人和商業控股有限公司) (listed on the Stock Exchange, stock code: 1387) from December 2011 to December 2012. From August 2006 to October 2009, Mr. Sun served as executive director and president of Value Convergence Holdings Limited (匯盈控股有

限公司) (listed on the Stock Exchange, stock code: 0821); from September 2004 to July 2007, Mr. Sun served as an independent non-executive director of The Link Real Estate Investment Trust (領匯房地產投資信託基金) (listed on the Stock Exchange, stock code: 0823); from September 2004 to May 2006, Mr. Sun was an executive director of Sunwah Kingsway Capital Holdings Limited (新華匯富金融控股有限公司) (listed on the Stock Exchange, stock code:188). Mr. Sun also served as senior country officer and head of investment banking for Hong Kong of J.P. Morgan (wholesale and investment banking business) from 2000 to 2002, and group executive director and head of investment banking department of Jardine Fleming Holdings Limited (怡富集團) from 1996 to 2000.

Mr. Sun was Deputy Convenor of the Listing Committee of the Hong Kong Stock Exchange from December 1996 to March 2000, and Deputy Chairman of the Listing Committee from March 2000 to December 2000, a member of the SFC Takeovers and Mergers Panel from April 1999 to March 2001, and the chairman of the Chamber of Hong Kong Listed Companies from June 2013 to June 2015.

Mr. Sun obtained a bachelor's degree in economics from the Wharton School of University of Pennsylvania in May 1981 and completed the Stanford Executive Program at Stanford Graduate School of Business in 2000. Mr. Sun was certified as a Fellow of the Hong Kong Institute of Certified Public Accountants in November 2009 and as a Fellow of the Association of Chartered Certified Accountants in April 1992.

Mr. CHEN Jin'en, aged 60, has been appointed as an independent non-executive Director since May 21, 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.

Mr. GAO Shutang, aged 65, has been appointed as an independent non-executive Director since May 21, 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 41, has been appointed as the chairwoman of the Supervisory Committee of our Company since May 21, 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 since August 2013, as one of its directors since February 2012 and as its chief accountant since February 2007. 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) since October 2013. 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.

Mr. GAO Fan, aged 40, has been appointed as a Supervisor since May 21, 2015, and is mainly responsible for supervising operations and financial issues. Mr. Gao has been a deputy general manager of the investment development department of CRHC since July 2014 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 41, has been appointed as an employee representative Supervisor since May 21, 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 China Renmin University (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 52, is the president of the Company. For biography of Mr. Yin, please see the section headed "— Directors".

Mr. KONG Ning, aged 50, has been the Company's chief accountant since December 29, 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).

Mr. CHEN Hong, aged 52, 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 CRSCS from September 2013 to October 2014, chairman of CRSC Innovation Investment 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 49, has been the Company's Vice President since April 18, 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 48, 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 CRSC Innovation Investment 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.

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.

The Company held a celebration event for the 60th anniversary of the establishment of CRSCD, an important subsidiary of the Company (the "Celebration Event"). In July 2014, the Celebration Event was deemed by the disciplinary committee of China Communist Party of SASAC as not being compliant with the spirit of "thrift" under the Eight Provision of China Communist Party (the "CCP") for overspending. As a result, a serious warning, being an internal disciplinary measure of the CCP, was issued to Ms. Li Yanqing, a director of the Company, and Mr. Huang Weizhong, a senior management member of the Company, such individuals being party members of CCP and the relevant senior personnel bearing general responsibilities for the Company (the "Disciplinary Action"). The Directors are of the view that the Disciplinary Action will not affect the competence of Ms. Li or Mr. Huang to execute her/his office as a director or vice president of the Company for the following reasons: (1) As confirmed by our PRC legal advisers, such serious warning was solely an internal disciplinary action of CCP and was not due to breach of any PRC law or regulation; (2) Ms. Li and Mr. Huang were imposed with such warning solely because of being senior personnel of the Company bearing general responsibilities, but not because of involving any personal action in the Celebration Event, and the main purpose of imposing disciplinary actions on senior personnel of state owned enterprises for general responsibilities is to educate senior personnel for better fulfilling their duties; (3) after the serious warning, neither Ms. Li nor Mr. Huang was removed from their positions in the Company by SASAC, and SASAC also agreed on the Company's latest reappointments of Ms. Li and Mr. Huang as a director and a vice president of the Company respectively; and (4) both Ms. Li and Mr. Huang have been working for the Company and its predecessor for approximately twenty years and have rich experience in operation and management and knowledge of the Company, and it is beneficial for the Company and our shareholders as a whole for retaining Ms. Li and Mr. Huang as

a director and a senior management member of the Company, respectively. Our PRC legal advisor is of the view that, pursuant to PRC laws and regulations, the Disciplinary Action will not affect the appointment of Ms. Li or Mr. Huang as the Director and senior management member of the Company.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as disclosed herein, there was no additional matter with respect to the appointment of our Directors, Supervisors and senior management members that needs to be brought to the attention of the Shareholders, and there was no additional information relating to our Directors, Supervisors and senior management members that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date, including that each of our Directors, Supervisors and senior management members (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with other Directors, senior management members or substantial or controlling shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any directorship in any other listed companies in the three years prior to the Latest Practicable Date. As of the Latest Practicable Date, each of our Directors did not have any interest in the H Shares or the Domestic Shares within the meaning of Part XV of the SFO.

Our Directors confirmed that, as of the Latest Practicable Date, they did not directly or indirectly hold any interests in any external businesses that compete or may compete with the Group's business.

JOINT COMPANY SECRETARIES

Mr. HU Shaofeng, aged 48, is one of the Company's joint company secretaries. For his biography, please see the section headed "— Senior Management".

Ms. NG Wing Shan, aged 38, is one of the Company's joint company secretaries. Ms. Ng now serves as the assistant vice president of SW Corporate Services Group Limited, mainly responsible for assisting listed companies in professional company secretarial work. Ms. Ng possesses more than 10 years of professional experience in company secretarial field. Before this, she worked with KCS Hong Kong Limited, successively as secretary officer, senior secretarial officer, assistant manager and manager from December 2006 to October 2014. Ms. Ng is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

Pursuant to Rule 3.28 of the Listing Rules, an issuer shall appoint a person as its company secretary who, from the view of the Hong Kong Stock Exchange, is capable of performing the duties of company secretary by virtue of her academic or professional qualifications or relevant experience. We have applied to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has granted us from strict compliance with the provisions of Rules 3.28 and 8.17 of the Listing Rules. For details on this waiver, please refer to the section headed "Waivers from Strict Compliance with the Hong Kong Listing Rules — Appointment of Joint Company Secretaries".

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 of Association, our 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.

Strategy and Investment Committee

We have established the Strategy and Investment Committee with written terms of reference. The Strategy and Investment Committee consists of 5 Directors, including Mr. ZHOU Zhiliang, Ms. LI Yanqing, Mr. GAO Shutang, Mr. CHEN Jin'en and Mr. WANG Jiajie. Mr. ZHOU Zhiliang 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:

(i) 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;

(ii) studying and advising on major financing and investment plans which, according to the Articles of Association, should be approved by the Board or at the general meeting;

(iii) auditing and advising on the Company's annual business plan;

(iv) conducting study and advising on major capital operation and asset management project which are required to be approved by the Board or at the general meeting according to the Articles of Association;

(v) studying and advising on the plans for corporate reorganization, mergers and acquisitions, equity transfer, restructuring, organizational restructuring which, according to our Articles of Association, should be approved by the Board or at the general meeting, and making suggestions;

(vi) studying and advising on other major events which may have influence in the Company's development;

(vii) supervising the implementation of the above matters; and

(viii) other duties and responsibilities authorized by the Board.

Nomination Committee

We have established the Nomination Committee with written terms of reference. The Nomination Committee consists of 3 Directors, namely Mr. CHEN Jin'en, Ms. LI Yanqing and Mr. WANG Jiajie. Mr. CHEN Jin'en currently serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, but are not limited to, the following:

(i) 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;

(ii) studying and advising on the standards, procedures and methods for the election of Directors, president and other senior management members;

(iii) 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;

(iv) searching for qualified candidates for Directors and senior management members;

(v) reviewing the independence of the independent non-executive Directors;

(vi) advising to the Board on the appointment or re-appointment of Directors and senior management members, as well as the succession plan for Directors and senior management members (especially Chairman and President);

(vii) reporting its decisions or opinions to the Board, unless otherwise restricted by laws or regulations; and

(viii) other duties and responsibilities authorized by the Board.

Remuneration and Evaluation Committee

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

(i) 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;

(ii) 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;

(iii) reviewing the performance of duties by and conducting performance appraisal and evaluation over Directors and senior management members;

(iv) reviewing and approving proposals on senior management's remuneration in accordance with the Company's guidelines and targets approved by the Board of Directors;

(v) formulating and advising to the Board the remuneration packages for Directors and senior management members;

(vi) reviewing and approving the compensation for the loss or termination of the office or appointment of the executive Directors and senior management members;

(vii) reviewing and approving the compensation arrangements with regard to the dismissal or removal of Directors due to their misconduct;

(viii) ensuring any Director or their contacts not to determine by themselves, or be involved in determining, their remuneration;

(ix) supervising the implementation of the Company's remuneration policies;

(x) studying and advising to the Company's equity incentive proposal;

(xi) reporting to the Board on their decisions or recommendations, unless as restricted by laws or regulations; and

(xii) other matters authorized by the Board.

Audit and Risk Management Committee

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

(i) 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;

(ii) 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;

(iii) 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;

(iv) 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;

(v) 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;

(vi) 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;

(vii) 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;

(viii) 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;

(ix) examining the Company's financial and accounting policies and practices;

(x) 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;

(xi) confirming the list of the Company's related/connected parties and reporting to the Board and the Supervisory Committee; conducting a preliminary review of the related/connected transactions to be submitted to the Board for consideration; and reviewing the reasonableness and necessity of major related transactions;

(xii) 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;

(xiii) reviewing internal control valuation report reported by internal audit department;

(xiv) 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

(xv) other duties authorized by the Board.

Quality and Safety Committee

We have established the Quality and Safety Committee with written terms of reference. The Quality and Safety Committee consists of 3 Directors, namely Mr. YIN Gang, Ms. LI Yanqing and Mr. GAO Shutang. 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:

(i) studying and advising to the Board on the Company's quality and safety management plan;

(ii) studying and advising to the Board on the annual quality and safety guidelines and objectives;

(iii) studying the targets and measures for the construction of long-term quality and safety mechanism;

(iv) 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;

(v) supervising and guiding the Company's control of major hazard sources, and organizing the formulation of emergency management plan for production safety;

(vi) evaluating the severe quality and safety accidents, failures and quality issues, and providing guidance to handling the related issues; and

(vii) other duties authorized by the Board.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, the total remuneration paid by our Group to our Directors (including fees, salaries, performance-related bonuses, pension schemes contributions, allowances and benefits in kind) was approximately RMB3.05 million, RMB3.50 million, RMB3.09 million and RMB0.53 million, respectively.

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, the total remuneration paid by our Group to our Supervisors (including fees, salaries, performance-related bonuses, pension schemes contributions, allowances and benefits in kind) was approximately RMB1.43 million, RMB1.78 million, RMB1.85 million and RMB0.31 million, respectively.

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, the total remuneration paid by our Group to our senior management (excluding the persons who are our Directors or Supervisors), which includes fees, salaries, performance-related bonuses, person schemes contributions, allowances and benefits in kind, was approximately RMB2.41 million, RMB3.73 million, RMB3.22 million and RMB0.51 million, respectively.

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, the aggregate amount of remuneration paid by our Group to the five highest paid individuals of our Company (including fees, salaries, performance-related bonuses, pension schemes contributions, allowances and benefits in kind was approximately RMB7.92 million, RMB6.99 million, RMB8.75 million and RMB2.74 million, respectively.

Save as disclosed above, for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, none of the Directors, Supervisors or the five highest paid employees has waived or agreed to waive any emoluments; no remuneration was paid by the Group to the Directors, Supervisors or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

According to the arrangements in force as of the Latest Practicable Date, we estimate that the total remuneration to be paid and granted by our Group to our Directors and Supervisors for the year ended December 31, 2015 will be approximately RMB1.72 million. The remuneration granted to our Directors and Supervisors by us may be adjusted based on salary standards issued by the relevant regulatory authorities.

Before we determine the remuneration of the Directors, Supervisors and senior management members, we will take into account such factors as the remuneration standard set by relevant regulators, salaries paid by comparable companies, time input and responsibilities assumed by Directors, Supervisors and senior management members, employment conditions of the Company's other positions, and availability of performance-based compensation.

EMPLOYEES

As of March 31, 2015, we had a total of 15,218 full-time employees. The remuneration packages of our employees primarily consist of salaries and discretionary bonuses. As required by the relevant PRC laws and regulations, we participate in various pension schemes for our employees, including those organized by provincial or municipal governments as well as supplemental pension schemes. Please refer to the section headed "Business — Employees" in this prospectus for a description of the mandatory pension plans and social insurance contribution plans we participate in. Bonuses are generally discretionary and based on the personal performance of employees and the overall performance of our business.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any significant problems with our employees or disruption to our operations due to labor disputes, and we consider that we have maintained and will continue to maintain good relationship with our employees.

COMPLIANCE ADVISER

We have appointed Haitong International Capital Limited as our compliance adviser pursuant to Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 of the Hong Kong Listing Rules, the compliance adviser will advise us in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction within the meaning of the Hong Kong Listing Rules, is contemplated under the Hong Kong Listing Rules, including share issues and share repurchases;

(iii) where we propose to use the proceeds of the Global Offering in a manner different from that is detailed in this prospectus or where our business activities, developments or results of our Company deviate from any forecast, estimate or other information contained in this prospectus; and

(iv) where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Hong Kong Listing Rules, our compliance adviser will, in a timely manner, inform us of any amendments or supplements to the Hong Kong Listing Rules that are announced by the Stock Exchange. Our compliance adviser will also inform us of any amendment or supplement to applicable laws and guidelines.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

As of the Latest Practicable Date, our registered share capital was RMB7,000 million, comprising of 7,000,000,000 Shares. The following person directly or indirectly controls, or is entitled to exercise, or control the exercise of, 5% or more of our Shares:

Name of Shareholder	Number of Shares directly or indirectly held	Approximate percentage of share capital (%)
CRSC Corporation Group	6,778,390,000	96.8343%

Immediately following completion of the Global Offering, assuming no exercise of the Over-allotment Option, our share capital will be comprised of 6,825,000,000 Domestic Shares and 1,925,000,000 H Shares, representing 78.00% and 22.00% of the total share capital of our Company, respectively. So far as our Directors are aware, immediately following completion of the Global Offering, the following person will have interests or short positions in our Shares or underlying shares of our Company which will be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, have interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

			Immediately following completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
Name of Shareholder	Nature of Interest	Class	Number of Shares directly or indirectly held	Approximate percentage of total interest in our Company[2] (%)	Approximate percentage of the relevant class of Shares of our Company[1] (%)	Number of Shares directly or indirectly held	Approximate percentage of total interest in our Company[4] (%)	Approximate percentage of the relevant class of Shares of our Company[3] (%)
CRSC Corporation Group	Beneficial Owner	Domestic Shares	6,608,296,773	75.52	96.82	6,582,782,790	73.04	96.82

Notes:

(1) The calculation is based on the percentage of shareholding in Domestic Shares (excluding 175,000,000 Domestic Shares which has been converted to H Shares and held by the NSSF) (as applicable) after the Global Offering.

(2) The calculation is based on the total number of 8,750,000,000 Shares in issue immediately after the Global Offering (assuming no exercise of the Over-allotment Option).

(3) The calculation is based on the percentage of shareholding in Domestic Shares (excluding 201,250,000 Domestic Shares which has been converted to H Shares and held by the NSSF) (as applicable) after the Global Offering.

(4) The calculation is based on the total number of 9,012,500,000 Shares in issue immediately after the Global Offering (assuming full exercise of the Over-allotment Option).

For details of the substantial shareholders who, immediately following completion of the Global Offering, will have interests or short positions in our Shares or underlying Shares of our Company which are required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, have interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group, please refer to the section headed "Appendix VI — Statutory and General Information — Further Information about Our Directors, Supervisors and Substantial Shareholders — Disclosure of Interests" in this prospectus.

Except as disclosed in the prospectus, the Directors are not aware of any person(s) who will, immediately following completion of the Global Offering, have interests or short positions in Shares or underlying Shares of our Company which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, have interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings.

We were not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

As of the Latest Practicable Date, our registered share capital is RMB7,000 million, comprising 7,000,000,000 Shares.

Assuming no exercise of the Over-allotment Option, our share capital immediately following completion of the Global Offering will be as follows:

Class	Number of Shares	Approximate percentage of share capital (%)
Domestic Shares [(1)]	6,825,000,000	78.00
H Shares converted from Domestic Shares and transferred to the NSSF	175,000,000	2.00
H Shares issued pursuant to the Global Offering	1,750,000,000	20.00
Total	**8,750,000,000**	**100.00%**

Notes:

(1) CRSC Corporation Group, SINOMACH, CCT Group, CRHC and CICC Jiacheng held 6,608,296,773, 63,544,409, 63,544,409, 63,544,409 and 26,070,000 Domestic Shares.

Assuming full exercise of the Over-allotment Option, our share capital immediately after the Global Offering will be as follows:

Class	Number of Shares	Approximate percentage of share capital (%)
Domestic Shares[(1)]	6,798,750,000	75.44
H Shares converted from Domestic Shares and transferred to the NSSF	201,250,000	2.23
H Shares issued pursuant to the Global Offering	2,012,500,000	22.33
Total	**9,012,500,000**	**100.00%**

Notes:

(1) CRSC Corporation Group, SINOMACH, CCT Group, CRHC and CICC Jiacheng held 6,582,782,790, 63,299,070, 63,299,070, 63,299,070 and 26,070,000 Domestic Shares.

OUR SHARES

H Shares and Domestic Shares are all ordinary Shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, on the other hand, may only be subscribed for and transferred in Renminbi. We must pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in Renminbi.

Pursuant to our Articles of Association, the rights conferred on any class Shareholders may not be varied or abrogated unless approved by a special resolution of the general meeting of Shareholders and by a separate meeting of Shareholders convened by the affected class Shareholders. The circumstances deemed to be a variation or abrogation of the rights of a class Shareholder are set forth in the section headed "Appendix V — Summary of the Articles of Association" in this prospectus. However, the special procedures for voting by class Shareholders do not apply (i) where upon approval by a special resolution of Shareholders in a general meeting, we issue Domestic Shares and H Shares, either separately or concurrently once every 12 months, and the Domestic Shares and H Shares to be issued are not more than 20% of the existing issued shares of such class, respectively; (ii) where our plan to issue Domestic Shares and H Shares at the time of our establishment is implemented within 15 months from the date of approval of the securities regulatory authorities of the State Council; (iii) where the Domestic Shareholders are converted to overseas listed foreign shares upon approval by the securities regulatory authorities of the State Council, and are listed and traded on overseas stock exchanges. Domestic Shares and H Shares are regarded as different classes of Shares under our Articles of Association.

All the present Domestic Shares are held by promoters as promoter Shares (see the definition in the Company Law). Pursuant to the Company Law, promoter shares shall not be transferred within a period of one year from December 29, 2010 (the date on which our Company was established as a joint stock company with limited liabilities). The lock-up period expired on December 28, 2011. The Company Law further requires that in relation to the public offering of the shares of the company, shares of the company issued prior to the public offering shall not be transferred within one year from the date of listing the shares of the company on any stock exchange. However, according to our PRC legal advisor, pursuant to the Interim Measures on the Management of Reduction of State-owned Shares to Raise Social Security Funds (《減持國有股籌集社會保障資金管理暫行辦法》), the transfer of shares in issue to NSSF prior to the Listing is not subject to such restrictions. After approvals are obtained from the State Council or other authorized regulatory authorities and consent is obtained from the Hong Kong Stock Exchange, Domestic Shares may be converted to H Shares.

The differences between Domestic Shares and H Shares, and the provisions on class rights, the dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of Shareholders, the method of Share transfer and appointment of dividend receiving agents are set forth in our Articles of Association and summarized in the section headed

"Appendix V—Summary of Articles of Association" in this prospectus. Except for the differences above, Domestic Shares and H Shares will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. All dividends in respect of the H Shares are to be calculated in Renminbi and paid by us in Hong Kong dollars whereas all dividends in respect of Domestic Shares are to be paid by us in Renminbi. However, the transfer of Domestic Shares shall be subject to the restrictions which may be imposed by the PRC laws and regulations from time to time. Save as the Global Offering, we have no plan to allot or issue any securities simultaneously with the Global Offering or within six months from the date of the Listing in public or private, nor we have approved any plans regarding the issuance of shares.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

We have two classes of ordinary shares, H Shares and Domestic Shares. Our Domestic Shares currently and upon completion of the Global Offering are unlisted shares which are held by CRSC Corporation Group, SINOMACH, CCT Group, CRHC and CICC Jiacheng and not listed or traded on any stock exchange.

According to the regulations of the State Council's securities regulatory authority and the Articles of Association, the aforesaid Domestic Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required if any of the aforesaid Domestic Shares are to be converted into and traded as H Shares on the Stock Exchange. Subject to the methodology and procedures for the conversion of the aforesaid Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of the aforesaid Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and registration on the H Share register for the delivery of shares. As any listing of additional shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (a) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates; and (b) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the general rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of our promoters currently propose to convert any of the Domestic Shares held by it into H Shares, except for the Domestic Shares to be converted and transferred by our promoters to the NSSF in connection with the Global Offering.

Transfer of State-owned Shares

In accordance with relevant PRC regulations regarding the disposal of state-owned shares, CRSC Corporation Group, CCT Group, CRHC and SINOMACH are required to transfer to the NSSF such number of Domestic Shares as in aggregate would be equivalent to 10% of the number of the Offer Shares. At the time of the listing of our H Shares on the Stock Exchange, such Domestic Shares will be converted into H Shares on a one-for-one basis. These H Shares will not be part of the Global Offering but will be considered as part of the Shares to be held by public investors pursuant to Rule 8.08 of the Listing Rules. We will not receive any proceeds from the transfer by CRSC Corporation Group, CCT Group, CRHC and SINOMACH to the NSSF of such Domestic Shares or any subsequent disposal of such H Shares by the NSSF.

The transfer of state-owned shares by CRSC Corporation Group, CCT Group, CRHC and SINOMACH to the NSSF was approved by SASAC on February 13, 2015 and by NSSF on March 30, 2015. The conversion of those Domestic shares into H Shares was approved by the CSRC on July 13, 2015. We have been advised by our PRC legal adviser that the transfer and the conversion, and the holding of H Shares by the NSSF following such transfer and conversion, have been approved by the relevant PRC authorities and are legal under the PRC law.

LOCK-UP PERIOD

Pursuant to the PRC Company Law, the shares issued prior to any public offering of the shares of a company shall not be transferred within a period of one year from the date on which the company publicly offered shares and listed them on the relevant stock exchange. However, the shares to be transferred by state-owned shareholders to the NSSF in accordance with relevant PRC regulations regarding the disposal of state-owned shares (see the section headed "Transfer of State-owned Shares" above) are not subject to such statutory restrictions.

REGISTRATION OF SHARES NOT LISTED ON OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 business days upon listing.

You should read the following discussion and analysis in conjunction with our consolidated financial information set forth in the Accountants' Report included as Appendix I in this prospectus. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experiences and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements."

OVERVIEW

We have been the largest rail transportation control system solution provider in the world in terms of revenue since 2009, according to the Sullivan Report. We have industry-leading design and R&D capabilities for rail transportation control system and the world-leading equipment manufacturing capability. We provide rail transportation control system products and services to our domestic and international customers.

We derive revenue mainly from the PRC. We are a pioneer and market leader in the PRC rail transportation control system industry and a key enterprise to ensure the safe and efficient operation of the PRC rail transportation. As of March 31, 2015, we were the sole supplier of the train dispatch and command system of the National Railway Dispatch and Command Center, and our control systems have been widely used in national railway network across the PRC. According to the Sullivan Report, as of December 31, 2014, we were the dominant market leader in terms of the cumulative contracted mileage of completed high-speed railway control system integration projects in the PRC. In addition, our equipment for high-speed railway control system enjoys strong competitive advantages. Our train control systems have been used in railways in plateaus, frigid and high temperature areas, heavy-haul railways and other railway projects with demanding construction and operation conditions. We have extensive industry experience. As of December 31, 2014, we were the only rail transportation control system solution provider that had participated in all of the major high-speed railway projects and all six major railway speed-upgrade projects in the PRC. We are also a leading player in the urban transit control system market in the PRC. According to the Sullivan Report, in terms of the total contract value between 2011 and 2014, we were the largest provider of urban transit control system solutions in the PRC, with a 40.1% share of urban transit control system market.

With a strong focus on product design and R&D and through our "three-in-one" business model for rail transportation control system (that combines design and integration, equipment manufacturing and system implementation), we have become the only rail transportation control system solution provider in the world who is capable of independently providing the entire suite of products and

services with competitive advantages across the industry value chain. Our comprehensive offerings enable us to provide our customers with a complete and convenient one-stop solution, which reduces their construction, operation and management costs and mitigates the incompatibility risks of complex rail transportation connections. In turn, our one-stop solution business model enhances our ability to customize our products and services to address customers' needs and become more competitive in bidding for new projects. In addition, our business model also promotes the synergies among our individual business lines, reduces our marketing costs and lays a solid foundation for us to develop our maintenance and upgrade services after our systems and equipment are put into operation.

For the years ended December 31, 2012, 2013 and 2014, our total revenue amounted to RMB10,550.9 million, RMB13,064.6 million and RMB17,328.6 million, respectively, and our profit for the same periods amounted to RMB1,087.3 million, RMB1,238.9 million and RMB2,039.9 million, respectively. For the three months ended March 31, 2014 and 2015, our total revenue amounted to RMB3,346.6 million and RMB4,757.1 million, respectively, and our profit for the same periods amounted to RMB393.0 million and RMB576.8 million, respectively.

BASIS OF PRESENTATION

Our consolidated financial information has been prepared in accordance with IFRS issued by the International Accounting Standards Board. Our financial information is presented in RMB, which is the functional currency of the Company and subsidiaries established in the PRC carrying on our principal activities.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following are the key factors that affect our results of operations.

Investments in the Rail Transportation and Rail Transportation Control System Industry

The growth of the rail transportation control system industry is closely related to the continuous growth of the PRC rail transportation industry. According to the Sullivan Report, in 2014, the railway control system market in the PRC represented 34.1% of the global railway control system market, and the high-speed railway control system in the PRC represented 77.8% of the global high-speed railway control system market. Taking into account the continued substantial investment in railways by the PRC government and the future maintenance and upgrade demands of the large number of existing lines, it is anticipated that the PRC will continue to maintain its leading position in the global railway control system market. According to the Sullivan Report, the future growth of the mileage of national railways in operation in the PRC is expected to be driven by further expansion and upgrade of the railway network layout, reaching 158,400 km by 2020. The mileage of high-speed railway in operation in the PRC is estimated to reach 40,100 km by 2020. The mileage of intercity railway in operation in the PRC is estimated to reach 18,200 km by 2020. In addition, according to the Sullivan Report, it is estimated that the mileage of urban transit in operation in the PRC will reach 9,600 km by 2020, and

the mileage of modern tram in operation in the PRC will reach 3,000 km by 2020. The booming development of rail transportation in the PRC will create significant market opportunities, which in turn will drive the increasing demands for rail transportation control systems. However, if there is any slowdown in the pace of growth of the PRC government's expenditures on railway and urban transit infrastructures, our revenue growth could be adversely affected. See "Risk Factors — Risks Relating to Our Business Operations — Our businesses and financial performance may be affected by changes in the PRC government policies with respect to the rail transportation industry. Any decrease in the public expenditures on, or any change in the public procurement policies or industry standards relating to, rail transportation may affect our business."

Product/Service Mix

During the Track Record Period, we generated our revenue primarily from the design and integration, equipment manufacturing and system implementation services relating to rail transportation control systems. We also generated revenue from other businesses such as municipal engineering and related construction services and commodities trading. See "Business — Principal Businesses." The profitability of our product sales and provision of services varies according to factors including the nature of the products and services, technological sophistication, and/or market supply and demand. Changes in revenue mix in connection with the sales of goods and provision of services may affect our revenue and financial results. In general, (i) our design and integration business and equipment manufacturing business have relatively higher gross profit margins, primarily due to our strong pricing capabilities resulting from our significant market shares and technological advantages in these two business lines, (ii) the system implementation business has a relatively lower gross profit margin, primarily due to the higher costs of components, raw materials and labor required in this business, and (iii) our other businesses have a relatively lower gross profit margin as the gross profit margins of our municipal engineering and commodities trading businesses, which represent a majority of our other businesses, are usually lower due to the nature of such businesses. Due to the different gross profit margins associated with different business lines, if we adjust our product and service mix to reflect prevailing market demand in the future, our gross profit margin could be affected.

Components, Raw Materials and Labor Costs

Components, raw materials and labor costs constitute substantial portions of our cost of sales. Our major components and raw materials include electronic components, wires and cables, chemical products and ferrous and non-ferrous metals. We mainly use electronic components in our manufacturing of rail transportation control system equipment, and to a lesser extent, commodities such as copper and aluminum in our manufacturing of wires and cables. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, cost of components and raw materials accounted for approximately 79.2%, 80.4%, 80.9% and 80.2% of our cost of sales, respectively. The availabilities and prices of these components and raw materials depend on domestic and global market conditions and our relationships with suppliers. Fluctuations in the prices of these components and raw materials may affect the manufacturing and service costs of ourselves and our

suppliers. We adopt various measures to reduce the impacts of fluctuations in prices of components and parts and raw materials. For example, in order to manage the exposures to the price fluctuations of copper and aluminum used for manufacturing cables, we have established internal policies in connection with the entry into forward commodity purchase contracts of such commodities. See "Business — Components, Raw Materials and Suppliers — Components and Raw Materials." When procuring components and raw materials, we seek to reduce our procurement costs through a variety of measures, such as combining centralized and individual-based procurements, organizing bidding processes, engaging in competitive negotiations and bargaining. In addition, we monitor fluctuations in prices of components and raw materials in the market on a regular basis and proactively seek replacement suppliers.

Further, most of our project contracts are fixed price contracts. We generally need 12 months or more to finish most of our major projects. Therefore, the prices of major components and raw materials agreed when entering into project contracts may not necessarily reflect the final costs we need to pay during the construction of these projects. When a project contract we enter into does not contain a price adjustment clause or where the range of price adjustment is limited, our ability to pass on the increases in the prices of components and raw materials may be restricted. Under project contracts containing limited price adjustment, we are required to assume at least a part of the increases in the prices of major raw materials.

The actual costs we incur in executing a fixed price contract may vary substantially from the cost assumptions underlying our bid for several reasons, including unanticipated increases in the costs of components and raw materials, labor and other inputs, unforeseen construction conditions, including a customer's inability to obtain the requisite environmental and other approvals, delays caused by local weather conditions and the delays caused by the defaults of suppliers or subcontractors. Unanticipated increases in the prices of components and raw materials or the costs of labor not taken into account in our original bid or delays in performing parts of the contract could increase the costs of performing other parts of the relevant contract and thus result in compounding effects. These variations, as well as the risks which are generally inherent in our industry, may cause our actual profit to be different from our original estimates and may lead to reduced profitability or losses on projects. See "Risk Factors — Risks Relating to Our Business Operations — If we fail to accurately estimate the overall risks or costs under the contracts with our customers, or the time needed to complete the relevant projects under such contracts, we may experience cost overruns, schedule delays, lower profitability or even losses under such contracts when we execute such contracts."

Our operations are also dependent on the availability of skilled labor at acceptable costs. Labor costs comprise all expenses attributable to our staff (both production-related and those involved in selling and distribution as well as administrative activities), which include salaries, allowances, bonuses and social insurance contributions. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, our labor costs were RMB1,702.7 million, RMB1,894.2 million, RMB2,190.3 million and RMB591.1 million, respectively, representing approximately 16.1%,

14.5%, 12.6% and 12.4% of our total revenue for those periods, respectively. Labor costs as a percentage of our total revenue decreased in each year during the Track Record Period, reflecting our continuous efforts to control labor costs as a percentage of our total revenue and improve the efficiency of our employees.

Pricing of Products and Services

We generally select suppliers and subcontractors through tender process. Accordingly, we must estimate our costs when submitting bids to potential customers. The costs of a project are determined by professional cost consultants and cost engineers based on a set of project cost determination procedures. For our equipment sales contracts, we generally adopt the cost-plus method to price the contracts while also comparing our competitive strengths with our competitors, taking into account the costs of research and development, manufacturing and after-sales services as well as current supply and demand dynamics. In addition to the above factors, our pricing capabilities are also affected by government budgets on the projects. Moreover, certain of our system implementation contracts contain price adjustment provisions, allowing us to claim for cost increases arising from fluctuations of prices of components and raw materials or changes in laws. In such cases, however, we may still need to assume part of the price increases. If our pricing does not effectively cover the possible increases in the costs of components, raw materials, labor and other costs, or any additional requirements on the technical specifications of projects, our profit may decrease, which may have a material adverse effect on our financial condition and results of operations.

Taxation

Currently, the Company and a number of our subsidiaries are entitled to the preferential income tax rate of 15% which is available to high and new technology enterprises. In addition, one of our subsidiaries is entitled to the preferential income tax rate of 15% as it operates in the western region of the PRC and engages in the industries which are entitled to preferential tax treatment pursuant to the applicable tax laws and regulations. Our other subsidiaries were generally subject to the statutory income tax rate of 25% applicable to Chinese enterprises during the Track Record Period. Primarily as a result of the above preferential tax treatments, our effective income tax rates were 12.0%, 15.9%, 17.5% and 16.8% for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively. The "high and new technology enterprise" qualification of our Company and five of our subsidiaries will expire by the end of 2015. We are in the process of applying for the renewal of such preferential tax treatments before expiration. We do not believe there is any legal impediment for us to renew such qualifications. However, we cannot assure you that the Company or our subsidiaries that currently qualify as "high and new technology enterprises" will continue to qualify for such status in the future. Termination or revision of the various types of preferential tax treatments that the Company, our subsidiaries, joint ventures and associates currently enjoy would have a negative impact on our results of operations and financial condition. Our effective income tax rate may be lower than 15%, the preferential income tax rate that the Company and certain of our subsidiaries are entitled to, mainly because (i) the investment income we share from our joint ventures and associates is exempted from income tax, and (ii) certain of our research and development expenses are entitled to additional deduction from our taxable income.

Regulatory Environment of the Rail Transportation Control System Industry

We currently generate substantially all of our revenues and profits from providing products and services in the rail transportation control system industry in the PRC. The PRC railway and urban transit sectors are regulated by the PRC government and any changes in the regulatory environment in such sectors may affect our business and results of operations. See "Regulatory Environment."

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our accounting policies are important for an understanding of our financial condition and results of operations. We have identified and summarized below certain accounting policies and accounting estimates and judgments that are significant to the preparation of our financial information. These accounting policies require subjective or complex judgments by our management, including making estimates and assumptions about the effect of matters that are inherently uncertain. We based our estimates on historical experience and other factors we consider to be relevant under the circumstances. The Directors confirm that the relevant estimates or underlying assumptions made in the past have been generally in line with actual results during the Track Record Period and that we have consistently applied these estimates or underlying assumptions during the Track Record Period. We will continuously assess our assumptions and estimates going forward.

Percentage of completion of construction and service works

We recognize revenue according to the percentage of completion of individual contracts of construction and service work, which requires estimation to be made by the management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs. Due to the nature of the activities undertaken in construction contracting and contracts for services, the date on which an activity is entered into and the date on which the activity is completed usually fall into different accounting periods. Hence, we review and revise the percentage of completion of construction and service works. Where the contract revenue is less than expected or actual contract costs are more than expected, a foreseeable loss may arise.

Estimation of total budgeted costs and cost of completion for construction contracting and contracts for services

Total budgeted costs for construction contracting and contract for services comprise (i) direct material costs and direct labor costs, (ii) costs of subcontracting, and (iii) proportionate allocation of variable and fixed construction and services overheads. In estimating the total budgeted costs for construction contracting and contract for services, the management makes reference to information such as (i) current offers from sub-contractors and suppliers, (ii) recent offers agreed with sub-contractors and suppliers, and (iii) professional estimations on material costs, labor costs and other costs.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, we periodically review the changes in market conditions, expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on our historical experience with similar assets that are used in a similar way. Depreciation amounts will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimations. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Categories	Annual rates
Buildings	2.25%-4.85%
Machinery	9.00%-19.40%
Motor vehicles	11.25%-19.40%
Electronic equipment and others	9.00%-32.33%
Leasehold improvement	20.00%-50.00%

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition.

The useful lives of intangible assets are assessed to be either finite or indefinite.

	Estimated useful life	Internally generated or acquired
Purchased software	5 years	Acquired
Patents and licences	5 years	Internally generated and acquired
Patents and technology know-how*	8 years	Acquired
Backlog*	3 years	Acquired
Customer relationship*	9 years	Acquired

* On December 31, 2014, we acquired intangible assets as part of our step acquisition of CRSC CASCO, which included patents and technology know-how, backlog and customer relationship. See note 38 in the Accountants' Report included in Appendix I in this prospectus. They are amortised on the straight-line basis over their estimated useful lives.

Intangible assets with finite lives are subsequently amortised over the useful economic life on straight line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least once annually. The amortisation expenses on intangible assets with finite lives are recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Current income tax and deferred income tax

We are subject to income taxes in numerous provinces and cities in the PRC. Estimation is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amount originally recorded, the differences will impact the current income tax and deferred income tax in the periods in which the differences arise.

Deferred tax assets

Deferred tax assets relating to certain deductible temporary differences are recognized as the management considers it is probable that future taxable profit will be available against which the unused temporary differences or unused tax losses can be utilized. The realization of the deferred tax assets mainly depends on whether sufficient future taxable profit or taxable temporary differences will be available in the future. In cases where the actual future taxable profit generated is less than expected, a material reversal of deferred tax assets may arise, which will be recognized in profit or loss in the period in which such a reversal takes place.

Write-down of inventories to net realizable value

We determine the write-down for obsolescence of inventories. These estimates are made with reference to age of inventory, projections of expected future salability of goods and management experience and judgment. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realizable values. Due to changes in market conditions, actual salability of goods may be different from our estimation and profit or loss could be affected by differences in this estimation.

Impairment of goodwill

We determine whether goodwill is impaired at least on an annual basis. This determination requires estimations of the usage values of the cash-generating units to which the goodwill is allocated. Estimating the usage values requires us to make estimates of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of financial assets

We assess at the end of each reporting period whether there is evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Warranty provision

Provision for product warranties that we give for certain products are recognized based on sales volume and past experience of the level of repairs, discounted to their present values as appropriate. We make provision for warranties based on historical information, including recent claim experience, defect rates and repair costs of our products as well as the experience of other companies for similar products. Provision for warranties is only made where warranty claims are probable. We continuously review material deviations from past cost information to make appropriate adjustments to the provision. Our provision policy in relation to warranties has been consistently applied during the Track Record Period.

Supplementary employee retirement benefits

We have recognized the supplementary employee retirement benefit obligations as a liability. Our obligations are determined using actuarial valuations, which depend on various assumptions and conditions. The assumptions used in actuarial valuation reports include discount rates, future salary increases, mortality rates, the growth rates of the benefits and other factors. The differences between the actual result and the actuary result will affect the accuracy of related accounting estimates. Our directors and senior managements are of the view that the above assumptions are reasonable. However, changes in conditions of assumptions will still affect the estimated liability amount of supplementary employee retirement benefit obligations.

SELECTED FINANCIAL DATA

The following table sets forth our consolidated statements of comprehensive income for the periods indicated:

	Year ended December 31,			Three Months ended March 31,	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	**10,550,912**	**13,064,585**	**17,328,643**	**3,346,571**	**4,757,060**
Cost of sales	(7,650,319)	(9,625,281)	(13,134,039)	(2,442,893)	(3,479,624)
Gross profit	**2,900,593**	**3,439,304**	**4,194,604**	**903,678**	**1,277,436**
Other income and gains	140,265	154,665	756,924	32,583	40,199
Selling and distribution expenses	(295,842)	(369,979)	(458,625)	(85,968)	(107,605)
Administrative expenses	(1,562,204)	(1,706,370)	(2,158,320)	(394,556)	(502,076)
Other expenses	(49,064)	(191,603)	(29,466)	(18,250)	(21,441)
Finance costs	(46,013)	(14,382)	(14,736)	(3,569)	(5,900)
Share of profits of joint ventures	120,097	134,432	143,207	39,511	9,944
Share of profits of associates	28,364	26,640	39,327	9,303	2,605
Profit before tax	**1,236,196**	**1,472,707**	**2,472,915**	**482,732**	**693,162**
Income tax expense	(148,861)	(233,793)	(433,000)	(89,687)	(116,380)
Profit for the period	**1,087,335**	**1,238,914**	**2,039,915**	**393,045**	**576,782**

The following table sets forth our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014[1]	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	2,167,265	1,674,883	2,749,777	2,746,765
Prepaid land lease payments	1,610,439	1,313,993	2,011,580	2,000,552
Goodwill	330	330	236,699	236,699
Other intangible assets	293,713	161,376	689,148	658,527
Investments in joint ventures	645,028	705,960	141,655	136,600
Investments in associates	127,865	160,906	202,464	198,884
Available-for-sale investments	4,032	2,359	2,359	2,359
Deferred tax assets	153,630	152,882	115,405	152,429
Trade receivables	187,744	313,174	595,955	618,508
Prepayments, deposits and other receivables	6,023	524,714	4,587	20,139
Total non-current assets	**5,196,069**	**5,010,577**	**6,749,629**	**6,771,462**
CURRENT ASSETS				
Non-current asset held for sale	—	1,079,813	—	—
Prepaid land lease payments	31,350	34,183	47,330	47,330
Inventories	2,030,961	2,047,602	2,861,486	2,691,700
Trade and bills receivables	4,376,211	5,997,873	7,324,348	7,918,549
Prepayments, deposits and other receivables	658,162	1,067,537	1,959,649	2,221,019
Amounts due from contract customers	2,029,889	2,305,799	3,110,558	3,741,444
Tax recoverable	5,796	3,746	14,374	7,311
Pledged deposits	103,435	124,214	163,466	166,798
Cash and cash equivalents	2,652,322	3,973,907	6,345,708	5,908,248
Total current assets	**11,888,126**	**16,634,674**	**21,826,919**	**22,702,399**
CURRENT LIABILITIES				
Trade and bills payables	4,019,210	5,243,880	6,985,712	7,606,103
Amounts due to contract customers	1,792,323	2,269,439	3,136,332	3,779,776
Other payables, advances from customers and accruals	1,834,667	2,760,047	4,416,537	6,740,700
Interest-bearing bank and other borrowings	491,900	233,749	227,626	250,000
Provisions for supplementary retirement benefits	76,738	72,642	71,916	72,732
Tax payable	47,613	42,067	144,049	136,712
Government grants	36,915	16,017	11,694	11,019
Total current liabilities	**8,299,366**	**10,637,841**	**14,993,866**	**18,597,042**

	As of December 31,			As of March 31,
	2012	2013	2014[1]	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NET CURRENT ASSETS	**3,588,760**	**5,996,833**	**6,833,053**	**4,105,357**
NON-CURRENT LIABILITIES				
Trade payables	60,385	69,344	75,012	77,495
Interest-bearing bank and other borrowings	194,001	117,703	89,932	44,148
Provisions for supplementary retirement benefits	589,986	550,311	618,692	626,288
Deferred tax liabilities	—	—	88,767	84,622
Government grants	67,975	119,227	130,379	124,065
Provisions	230,471	151,941	104,601	112,274
Total non-current liabilities	**1,142,818**	**1,008,526**	**1,107,383**	**1,068,892**
Net assets	**7,642,011**	**9,998,884**	**12,475,299**	**9,807,927**

Note:

(1) We acquired an additional 1% equity interest in CRSC CASCO in December 2014, and as a result, our shareholding in CRSC CASCO increased to 51% and we gained control of CRSC CASCO by revising its articles of association. Effective from December 31, 2014, CRSC CASCO became one of our consolidated subsidiaries, whereas before that time it was a joint venture. Accordingly, our consolidated statements of financial position as of December 31, 2014 include the assets, liabilities and equity of CRSC CASCO as of the same date, while our consolidated statements of comprehensive income and consolidated statements of cash flow during the years ended December 31, 2012, 2013 and 2014 do not consolidate the performance result of CRSC CASCO. We recorded our investment income from CRSC CASCO as share of profits of joint ventures under our consolidated statements of comprehensive income based on our then shareholding in CRSC CASCO, which was 50%, in the years ended December 31, 2012, 2013 and 2014. See "Financial Information — Acquisitions During and After Track Record Period — Acquisition of CRSC CASCO" and Note 38 in the Accountants' Report included in Appendix I in this prospectus.

DESCRIPTION OF SELECTED COMPONENTS OF OUR INCOME STATEMENTS

Revenue

We generate our revenue primarily from the following products and services:

- *Design and integration*: We provide engineering design and system integration services for rail transportation control system projects, and after integrated solutions designed to achieve functionality and performance of control system;

- *Equipment manufacturing:* We manufacture and sell signal system products, communication information system products and other products;

- *System implementation:* We provide construction, installation, testing and maintenance services for rail transportation control system projects; and

- *Other businesses*: We provide municipal engineering and related construction services and engage in commodities trading.

Revenue by business lines

For the years ended December 31, 2012, 2013 and 2014, our revenue was RMB10,550.9 million, RMB13,064.6 million and RMB17,328.6 million, respectively. For the three months ended March 31, 2014 and 2015, our revenue was RMB3,346.6 million and RMB4,757.1 million, respectively. The following table sets forth our revenue breakdown by business lines for the periods indicated:

	Year ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Design and integration	3,551,245	33.7	3,478,596	26.6	4,908,771	28.3	857,888	25.6	1,346,443	28.3
Equipment manufacturing	4,157,659	39.4	4,960,899	38.0	5,870,725	33.9	1,365,973	40.8	1,730,041	36.4
System implementation	2,842,008	26.9	4,167,894	31.9	5,368,037	31.0	1,015,478	30.3	1,255,408	26.4
Other businesses	—	—	457,196	3.5	1,181,110	6.8	107,232	3.3	425,168	8.9
Total revenue	**10,550,912**	**100.0**	**13,064,585**	**100.0**	**17,328,643**	**100.0**	**3,346,571**	**100.0**	**4,757,060**	**100.0**

Revenue by end-markets and geographical locations

The following table sets forth our revenue breakdown by end-markets in the PRC and revenue generated from overseas business for the periods indicated:

	Year ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Domestic business										
Railway	8,740,565	82.8	10,279,799	78.7	13,642,049	78.8	2,825,206	84.4	3,497,744	73.5
Urban transit	1,696,074	16.1	1,984,972	15.2	1,928,806	11.1	329,111	9.8	788,185	16.6
Other businesses	—	—	457,196	3.5	1,181,110	6.8	107,232	3.3	425,168	8.9
Sub-total	10,436,639	98.9	12,721,967	97.4	16,751,965	96.7	3,261,549	97.5	4,711,097	99.0
Overseas business	114,273	1.1	342,618	2.6	576,678	3.3	85,022	2.5	45,963	1.0
Total revenue	**10,550,912**	**100.0**	**13,064,585**	**100.0**	**17,328,643**	**100.0**	**3,346,571**	**100.0**	**4,757,060**	**100.0**

The revenue from urban transit related business as a percentage of our total revenue decreased in each year from 2012 to 2014, primarily due to the rapid expansion of business volume of our railway related business and other businesses. In addition, the slight decrease of 2.8% in our revenue from urban transit related business from the year ended December 31, 2013 to the year ended December 31, 2014 was primarily due to less revenue recognized in 2014 in accordance with relevant project schedules. Primarily due to our acquisition of CRSC CASCO, which mainly engages in urban transit related businesses, in December 2014 and our consolidation of the results of CRSC CASCO from December 31, 2014, our revenue from urban transit related business in amount and as a percentage of our total revenue increased in the three months ended March 31, 2015 as compared to the corresponding period in 2014. See "— Acquisitions During and After Track Record Period — Acquisition of CRSC CASCO."

As of the Latest Practicable Date, we had provided products and system implementation services to more than 10 overseas countries and regions, participating in the construction and upgrade of the railway and urban transit control systems in these countries and regions. Our overseas revenue experienced continuous growth in each year from 2012 to 2014, primarily due to the enhanced global awareness of our brand and the increased amount of our overseas projects. The decrease in our overseas revenue for the three months ended March 31, 2015 as compared to the three months ended March 31, 2014 was primarily due to less revenue recognized in accordance with relevant project schedules.

Cost of Sales

Our cost of sales mainly includes costs of components and raw materials, labor costs, power and fuel costs and depreciation and amortization. For the years ended December 31, 2012, 2013 and 2014, our cost of sales was RMB7,650.3 million, RMB9,625.3 million and RMB13,134.0 million, respectively. For the three months ended March 31, 2014 and 2015, our cost of sales was RMB2,442.9 million and RMB3,479.6 million, respectively.

Cost of sales by business lines

The following table sets forth the breakdown of our cost of sales by business lines for the periods indicated:

	Year ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Design and integration	2,441,492	31.9	2,274,386	23.6	3,274,994	24.9	541,619	22.2	835,635	24.0
Equipment manufacturing	2,689,647	35.2	3,226,996	33.5	3,955,247	30.1	900,359	36.9	1,108,966	31.9
System implementation	2,519,180	32.9	3,710,247	38.5	4,856,549	37.0	924,245	37.8	1,137,675	32.7
Other businesses	—	—	413,652	4.4	1,047,249	8.0	76,670	3.1	397,348	11.4
Total cost of sales	**7,650,319**	**100.0**	**9,625,281**	**100.0**	**13,134,039**	**100.0**	**2,442,893**	**100.0**	**3,479,624**	**100.0**

Cost of sales by end-markets and geographical locations

The following table sets forth the breakdown of our cost of sales by end-markets in the PRC and cost of sales for overseas business for the periods indicated:

	Year ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Domestic business										
Railway	6,311,264	82.5	7,381,268	76.6	10,219,377	77.8	2,053,568	84.1	2,486,567	71.5
Urban transit	1,259,289	16.5	1,571,699	16.3	1,474,714	11.2	247,670	10.1	564,276	16.2
Other businesses	—	—	413,652	4.4	1,047,249	8.0	76,670	3.1	397,348	11.4
Sub-total	7,570,553	99.0	9,366,619	97.3	12,741,340	97.0	2,377,908	97.3	3,448,191	99.1
Overseas business	79,766	1.0	258,662	2.7	392,699	3.0	64,985	2.7	31,433	0.9
Total cost of sales	**7,650,319**	**100.0**	**9,625,281**	**100.0**	**13,134,039**	**100.0**	**2,442,893**	**100.0**	**3,479,624**	**100.0**

Cost of sales by components of cost of sales

The following table sets forth the breakdown of our cost of sales by components of cost of sales for the periods indicated:

	As of December 31,			Three Months ended March 31,	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Components and raw materials	6,061,750	7,739,161	10,628,748	1,964,073	2,789,313
Labor costs	840,826	910,645	1,019,996	220,968	270,582
Depreciation and amortization	119,000	127,573	255,234	54,830	76,162
Power and fuel costs	158,906	175,541	240,746	9,061	9,678
Others	469,837	672,361	989,315	193,961	333,889
Total cost of sales	7,650,319	9,625,281	13,134,039	2,442,893	3,479,624

Costs of components and raw materials comprise the most significant part of our cost of sales, representing 79.2%, 80.4%, 80.9% and 80.2% of our total cost of sales for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively. We mainly use electronic components in our manufacturing of rail transportation control system equipment, and to a lesser extent, commodities such as copper and aluminum in our manufacturing of wires and cables. During the Track Record Period, we used more than 100,000 types of components and raw materials during manufacturing. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, if our total components and raw material costs had increased or decreased by 1% while all the other variables had remained unchanged, our net profit margin during the same

periods would have decreased or increased by 4.9%, 5.3%, 4.3% and 4.1%, respectively. Given the wide array of components and raw materials that we use, our Directors believe that no change in the price of any single type of component or raw material would have a material impact on our overall results of operations, and it is highly unlikely that the prices of all of such components and raw materials would increase or decrease at one time.

Gross Profit and Gross Profit Margin

For the years ended December 31, 2012, 2013 and 2014, our gross profit was RMB2,900.6 million, RMB3,439.3 million and RMB4,194.6 million, respectively, and our gross profit margin was 27.5%, 26.3% and 24.2%, respectively. For the three months ended March 31, 2014 and 2015, our gross profit was RMB903.7 million and RMB1,277.4 million, respectively, and our gross profit margin was 27.0% and 26.9%, respectively.

Gross profit and gross profit margin by business lines

The following table sets forth the breakdown of our gross profit by business lines and gross profit of each business line as percentage of total gross profit for the periods indicated:

	Year ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Design and integration	1,109,753	38.3	1,204,210	35.0	1,633,777	38.9	316,269	35.0	510,808	40.0
Equipment manufacturing	1,468,012	50.6	1,733,903	50.4	1,915,478	45.7	465,614	51.5	621,075	48.6
System implementation	322,828	11.1	457,647	13.3	511,488	12.2	91,233	10.1	117,733	9.2
Other businesses	—	—	43,544	1.3	133,861	3.2	30,562	3.4	27,820	2.2
Total gross profit	**2,900,593**	**100.0**	**3,439,304**	**100.0**	**4,194,604**	**100.0**	**903,678**	**100.0**	**1,277,436**	**100.0**

The following table sets forth the breakdown of our gross profit margin by business lines for the periods indicated:

	Year ended December 31,			Three Months ended March 31,	
	2012	2013	2014	2014	2015
	%	*%*	*%*	*%*	*%*
Design and integration	31.2	34.6	33.3	36.9	37.9
Equipment manufacturing	35.3	35.0	32.6	34.1	35.9
System implementation	11.4	11.0	9.5	9.0	9.4
Other businesses	N/A	9.5	11.3	28.5	6.5
Overall gross profit margin	**27.5**	**26.3**	**24.2**	**27.0**	**26.9**

For the years ended December 31, 2012, 2013 and 2014, our overall gross profit margin remained relatively stable and was 27.5%, 26.3% and 24.2%, respectively. The overall gross profit margin declined slightly in each year from 2012 to 2014, primarily due to (i) an increase in components and raw material costs and labor costs, and (ii) an increase in revenue from system implementation services and other businesses as a percentage of our total revenue, which resulted from an increased business volume from these two business lines with relatively lower profit margins. For the three months ended March 31, 2014 and 2015, our overall gross profit margin remained stable and was 27.0% and 26.9%, respectively. During the Track Record Period, the expansion of our system implementation business was in line with our "three-in-one" business model, which we believe will promote the synergies among all of our business lines and contribute to the future growth of our overall revenue.

Gross profit and gross profit margin by end-markets and geographical locations

The following table sets forth the breakdown of our gross profit by end-markets and geographical locations for the periods indicated:

	Year ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Domestic business										
Railway	2,429,301	83.7	2,898,531	84.3	3,422,672	81.6	771,638	85.4	1,011,177	79.2
Urban transit	436,785	15.1	413,273	12.0	454,092	10.8	81,441	9.0	223,909	17.5
Other businesses	—	—	43,544	1.3	133,861	3.2	30,562	3.4	27,820	2.2
Sub-total	2,866,086	98.8	3,355,348	97.6	4,010,625	95.6	883,641	97.8	1,262,906	98.9
Overseas business	34,507	1.2	83,956	2.4	183,979	4.4	20,037	2.2	14,530	1.1
Total gross profit	**2,900,593**	**100.0**	**3,439,304**	**100.0**	**4,194,604**	**100.0**	**903,678**	**100.0**	**1,277,436**	**100.0**

The following table sets forth the breakdown of our gross profit margin by end-markets and geographical locations for the periods indicated:

	Year ended December 31,			Three Months ended March 31,	
	2012	2013	2014	2014	2015
	%	%	%	%	%
Domestic business					
Railway	27.8	28.2	25.1	27.3	28.9
Urban transit	25.8	20.8	23.5	24.7	28.4
Other businesses	N/A	9.5	11.3	28.5	6.5
Sub-total	27.5	26.4	23.9	27.1	26.8
Overseas business	30.2	24.5	31.9	23.6	31.6
Overall gross profit margin	**27.5**	**26.3**	**24.2**	**27.0**	**26.9**

The gross profit margin of our railway business decreased from the year ended December 31, 2013 to the year ended December 31, 2014, primarily due to the increase in components and raw material costs and labor costs. The gross profit margin of our urban transit business for the year ended December 31, 2013 was lower than other periods during the Track Record Period, mainly because we undertook certain projects with relatively lower gross profit margin in that year as part of our market strategy in urban transit sector. The gross profit margins of our overseas business fluctuated during the Track Record Period, mainly due to the different gross profit margins associated with different projects. Given the relatively small business volume and overall revenue size of our overseas business during the Track Record Period, the overall gross profit margin of our overseas business is more likely to be affected by individual projects.

Other Income and Gains

Our other income and gains mainly include interest income, government grants, gains on disposal of items of property, plant and equipment, gains on disposal of non-current assets held for sale, gains on disposal of prepaid land lease payments, and gains on disposal of subsidiaries, associates and joint ventures. For the years ended December 31, 2012, 2013 and 2014, our other income and gains were RMB140.3 million, RMB154.7 million and RMB756.9 million, respectively. For the three months ended March 31, 2014 and 2015, our other income and gains were RMB32.6 million and RMB40.2 million, respectively. The following table sets forth the breakdown of our other income and gains for the periods indicated:

	Year ended December 31,			Three Months ended March 31,	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest income	33,784	21,990	49,295	9,367	20,342
Government grants	94,043	111,351	124,949	19,826	15,073
Gains on disposal of a non-current asset held for sale	—	—	393,904	—	—
Gains on disposal of items of property, plant and equipment	1,278	4,691	25,615	—	211
Gains on disposal of prepaid land lease payments	788	6,884	—	—	—
Gains on disposal of a subsidiary and an associate	—	—	9,102	—	—
Gain on remeasurement of the previously existing interest in an acquiree at its acquisition-date fair value in a step acquisition of subsidiary	—	—	135,165	—	—
Others	10,372	9,749	18,894	3,390	4,573
Total other income and gains	**140,265**	**154,665**	**756,924**	**32,583**	**40,199**

During the Track Record Period, we applied for and received government grants from both central and local government authorities in the PRC, including mainly (i) the refund of value-added taxes in connection with sales of certain software products developed by ourselves in accordance with applicable PRC laws and regulations, (ii) government grants for the national research and development projects we undertook, and (iii) other subsidies granted by the government. We may apply to relevant government authorities for grants in accordance with applicable state and local preferential policies from time to time. Government authorities generally take into account the scope of our research and development and projects and will approve our application if such scope is within the applicable preferential policies. We are allowed to use the government grants awarded in accordance with the scope of research and development and projects approved by the government authorities. Although government grants are generally awarded to us every year, they are non-recurring in nature and are granted on a case-by-case basis by the government authorities in accordance with the applicable national and local policies. In the year ended December 31, 2014, we also had the following major one-off gains: (i) a gain of RMB393.9 million from the disposal of a real property, and (ii) a gain of RMB135.2 million from the remeasurement of the fair value of our previously held 50% equity interests in CRSC CASCO at the acquisition date. In addition, during the Track Record Period, we also incurred other one-off gains in connection with our disposal of certain other property, plant and equipment, disposal of certain prepaid land lease payments and disposal of certain subsidiary and associate. We cannot assure you that we will be eligible to continue to receive such government grants or that the amount of any such grants will not be reduced in the future or that our other gains which are non-recurring in nature will remain the same level as in the year ended December 31, 2014 or as during any other period during the Track Record Period.

Selling and Distribution Expenses

Our selling and distribution expenses mainly include labor costs, sales services fees, transportation expenses and other miscellaneous expenses. According to our sales contracts, we generally have to bear the transportation costs for delivering products. For the years ended December 31, 2012, 2013 and 2014, our selling and distribution expenses were RMB295.8 million, RMB370.0 million and RMB458.6 million, respectively. For the three months ended March 31, 2014 and 2015, our selling and distribution expenses were RMB86.0 million and RMB107.6 million, respectively. The following table sets forth the breakdown of our selling and distribution expenses for the periods indicated:

	Year ended December 31,			Three Months ended March 31,	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Labor costs	107,309	127,408	173,606	34,759	48,725
Sales services fees	87,000	109,595	109,815	23,816	24,834
Transportation expenses	45,399	66,446	99,657	14,973	16,714
Others[(1)]	56,134	66,530	75,547	12,420	17,332
Total selling and distribution expenses	**295,842**	**369,979**	**458,625**	**85,968**	**107,605**

Note:

(1) Others mainly include tendering and bidding fees, office expenses and packing charges.

Administrative Expenses

Our administrative expenses mainly include labor costs, research and development expenses, safety production fees and warranty provisions, depreciation and amortization, office and rental costs, travel expenses, taxes and other miscellaneous expenses. For the years ended December 31, 2012, 2013 and 2014, our administrative expenses were RMB1,562.2 million, RMB1,706.4 million andRMB2,158.3 million, respectively. For the three months ended March 31, 2014 and 2015, our administrative expenses were RMB394.6 million and RMB502.1 million, respectively. The following table sets forth the breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,			Three Months ended March 31,	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Labor costs	510,218	569,058	658,670	132,274	173,132
Research and development expenses	443,748	585,231	749,873	102,893	150,970
Safety production fees and warranty provisions	133,994	29,314	156,956	26,140	38,898
Depreciation and amortization	142,371	132,056	155,486	35,268	57,969
Office and rental costs	38,795	59,846	53,743	6,437	6,438
Travel expenses	35,716	39,920	47,966	7,253	9,163
Taxes	38,809	43,420	51,908	11,014	12,468
Others[(1)]	218,553	247,525	283,718	73,277	53,038
Total administrative expenses	**1,562,204**	**1,706,370**	**2,158,320**	**394,556**	**502,076**

Note:

(1) Others mainly include repair expenses, vehicle usage fees, property management fees and low value consumables.

For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, administrative expenses, excluding the research and development expenses recorded thereunder, as a percentage of our total revenue decreased gradually and accounted for 10.6%, 8.6%, 8.1% and 7.4%, respectively, of our total revenue, reflecting our continuous efforts to control administrative expenses in recent years.

Other Expenses

Our other expenses mainly include losses from disposal of property, plant and equipment and intangible assets, impairment of trade and other receivables, foreign exchange losses and losses on forward commodity purchase contracts. For the years ended December 31, 2012, 2013 and 2014, our other expenses were RMB49.1 million, RMB191.6 million and RMB29.5 million, respectively. Our other expenses for the year ended December 31, 2013 were relatively higher than the years ended

December 31, 2012 and 2014 mainly due to the loss from disposal of intangible assets in the amount of RMB106.9 million in connection with our discard of certain patents and proprietary technologies which we considered no longer have value for future uses or sales in 2013. For the three months ended March 31, 2014 and 2015, our other expenses were RMB18.3 million and RMB21.4 million, respectively. In addition, we had losses of RMB16.0 million and RMB14.4 million for the years ended December 31, 2013 and 2014, respectively, and losses of RMB14.0 million and RMB3.2 million for the three months ended March 31, 2014 and 2015, respectively, in connection with our forward commodity purchase contracts arrangements our relevant subsidiaries entered into regarding ferrous raw materials that they used for manufacturing. We also had income of RMB9.8 million in connection with forward commodity purchase contracts for the year ended December 31, 2012, which is included in our other income and gains. We will continue to control and monitor the risk exposures associated with our forward commodity purchase contracts arrangements and do not expect the results from such arrangements to have any material impact on our results of operations going forward. See "Business — Components, Raw Materials and Suppliers — Components and Raw Materials."

Finance Costs

Our finance costs mainly include interest expenses on bank loans and other borrowings and interest on discounted bills receivable. For the years ended December 31, 2012, 2013 and 2014, our finance costs were RMB46.0 million, RMB14.4 million and RMB14.7 million, respectively. For the three months ended March 31, 2014 and 2015, our finance costs were RMB3.6 million and RMB5.9 million, respectively. The following table sets forth the breakdown of our finance costs for the periods indicated:

	Year ended December 31,			Three Months ended March 31,	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest on bank loans and other borrowings wholly repayable:					
Within five years	59,503	17,726	19,907	5,327	5,755
Above five years	47	48	25	4	5
Interest on discounted bills receivable	1,649	1,611	805	143	140
Interest capitalised	(15,186)	(5,003)	(6,001)	(1,905)	—
Total finance costs	**46,013**	**14,382**	**14,736**	**3,569**	**5,900**

Share of Profits of Joint Ventures

Our share of profits of joint ventures represents the profits attributable to us from our joint ventures in proportion to our equity interests in such joint ventures, mainly arising from CRSC CASCO and Xi'an-Schaltbau Electric Corp., Ltd. In December 2014, we acquired an additional 1% equity interest in CRSC CASCO, increasing our shareholdings in CRSC CASCO to 51%. As a result, CRSC CASCO became our consolidated subsidiary and was no longer treated as our joint venture from an accounting perspective, effective from December 31, 2014. For the years ended December 31, 2012, 2013 and 2014, our share of profits from joint ventures was RMB120.1 million, RMB134.4 million and RMB143.2 million, respectively. For the three months ended March 31, 2014 and 2015, our share of profits from joint ventures was RMB39.5 million and RMB9.9 million, respectively. Our share of profits of joint ventures decreased in the three months ended March 31, 2015 primarily because CRSC CASCO was no longer treated as our joint venture upon our acquisition and consolidation of it as our subsidiary from December 31, 2014.

Share of Profits of Associates

Our share of profits of associates represents the profits attributable to us from our associates in proportion to our equity interests in such associates, mainly arising from Shanghai DEUTA Electronic & Electrical Equipment Co., Ltd., Thales Transport Automation Control Systems (Beijing) Co., Ltd. and Siemens Signaling Company Ltd. For the years ended December 31, 2012, 2013 and 2014, our share of profits of associates was RMB28.4 million, RMB26.6 million and RMB39.3 million, respectively. For the three months ended March 31, 2014 and 2015, our share of profits of associates was RMB9.3 million and RMB2.6 million, respectively.

Income Tax Expenses

Our income tax expenses consist primarily of corporate income tax and movements in deferred tax assets and liabilities. For the years ended December 31, 2012, 2013 and 2014, our income tax expenses were RMB148.9 million, RMB233.8 million and RMB433.0 million, respectively, and our effective income tax rate was 12.0%, 15.9% and 17.5%, respectively. For the three months ended March 31, 2014 and 2015, our income tax expenses were RMB89.7 million and RMB116.4 million, respectively, and our effective income tax rate was 18.6% and 16.8%, respectively. Our effective income tax rate may be lower than 15%, the preferential income tax rate that the Company and certain of our subsidiaries are entitled to, mainly because (i) the investment income we shared from our joint ventures and associates was exempted from income tax, and (ii) certain of our research and development expenses were entitled to additional deduction from our taxable income pursuant to certain tax policies.

On March 16, 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the new EIT Law. Effective from January 1, 2008, unless otherwise specified, the Company and our PRC subsidiaries are generally subject to the statutory income tax rate of 25%. As of March 31, 2015, pursuant to applicable income tax rules and regulations, the Company and certain of our PRC subsidiaries were qualified as high and new technology enterprises and were entitled to a preferential income tax rate of 15%. The "high and new technology enterprise" qualification is subject to evaluation by the relevant authority in the PRC every three years. In addition, one of our subsidiaries is entitled to the preferential income tax rate of 15% as it operates in the western region of the PRC and engages in the industries which are entitled to preferential tax treatment pursuant to the applicable tax laws and regulations.

As of the Latest Practicable Date, we had paid or made provisions for all taxes and did not have any material disputes with tax authorities.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

Revenue

Our revenue increased by 42.1% from RMB3,346.6 million for the three months ended March 31, 2014 to RMB4,757.1 million for the three months ended March 31, 2015. The following table sets forth the revenue generated from each of our business lines and their respective percentages of our total revenue for the three months ended March 31, 2014 and 2015, as well as the percentages of change from the three months ended March 31, 2014 to the three months ended March 31, 2015:

	Three Months ended March 31,				
	2014		2015		Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Design and integration	857,888	25.6	1,346,443	28.3	56.9
Equipment manufacturing	1,365,973	40.8	1,730,041	36.4	26.7
System implementation	1,015,478	30.3	1,255,408	26.4	23.6
Other businesses	107,232	3.3	425,168	8.9	296.5
Total revenue	**3,346,571**	**100.0**	**4,757,060**	**100.0**	**42.1**

Revenue from the design and integration business increased significantly, primarily due to (i) an increase in business volume, and (ii) our acquisition of CRSC CASCO, which mainly engages in the design and integration business in urban transit sector, in December 2014. The increase in revenue from the equipment manufacturing and system implementation businesses was primarily due to the increase in business volume and business scale which resulted from the enhanced investment in the rail transportation industry by the PRC government. The increase in our revenue from other businesses was mainly attributable to the revenue generated by the companies engaging in other businesses which we acquired in the second half of 2014.

Cost of Sales

Our cost of sales increased by 42.4% from RMB2,442.9 million for the three months ended March 31, 2014 to RMB3,479.6 million for the three months ended March 31, 2015. The following table sets forth the cost of sales of each of our business lines and their respective percentages of our total cost of sales for the three months ended March 31, 2014 and 2015, as well as the percentages of change from the three months ended March 31, 2014 to the three months ended March 31, 2015:

	Three Months ended March 31,				
	2014		2015		Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Design and integration	541,619	22.2	835,635	24.0	54.3
Equipment manufacturing	900,359	36.9	1,108,966	31.9	23.2
System implementation	924,245	37.8	1,137,675	32.7	23.1
Other businesses	76,670	3.1	397,348	11.4	418.3
Total cost of sales	**2,442,893**	**100.0**	**3,479,624**	**100.0**	**42.4**

The increase in our total cost of sales and the cost of sales of each business line was generally in line with the increase of our total revenue and the revenue of the corresponding business lines, respectively.

Gross Profit and Gross Profit Margin

Our gross profit increased by 41.4% from RMB903.7 million for the three months ended March 31, 2014 to RMB1,277.4 million for the three months ended March 31, 2015. Our gross profit margin remained stable and was 27.0% and 26.9% for the three months ended March 31, 2014 and 2015, respectively. The following table sets forth the breakdown of our gross profit and gross profit margin of each business line for the three months ended March 31, 2014 and 2015, as well as the percentages of change in gross profit from the three months ended March 31, 2014 to the three months ended March 31, 2015:

	Three Months ended March 31,						
	2014			2015			
	Gross profit	Gross profit percentage	Gross profit margin	Gross profit	Gross profit percentage	Gross profit margin	Change
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*%*
Design and integration	316,269	35.0	36.9	510,808	40.0	37.9	61.5
Equipment manufacturing	465,614	51.5	34.1	621,075	48.6	35.9	33.4
System implementation	91,233	10.1	9.0	117,733	9.2	9.4	29.0
Other businesses	30,562	3.4	28.5	27,820	2.2	6.5	(9.0)
Total gross profit	**903,678**	**100.0**	**27.0**	**1,277,436**	**100.0**	**26.9**	**41.4**

The gross profit margin of our design and integration business and equipment manufacturing business increased slightly, primarily due to the normal fluctuation of gross profit margin in accordance with relevant project schedules. The gross profit margin of our system implementation business remained relatively stable. The gross profit margin of our other businesses decreased in the three months ended March 31, 2015, primarily because the subsidiaries engaging in other businesses which we acquired in the second half of 2014 have relatively lower gross profit margin due to the nature of their businesses. Our overall gross profit margin remained relatively stable for the three months ended March 31, 2014 and 2015.

Other Income and Gains

Our other income and gains increased by 23.4% from RMB32.6 million for the three months ended March 31, 2014 to RMB40.2 million for the three months ended March 31, 2015, primarily due to the increase in interest income as a result of the increase in our time deposits.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 25.2% from RMB86.0 million for the three months ended March 31, 2014 to RMB107.6 million for the three months ended March 31, 2015. The increase was mainly attributable to an increase in labor costs as a result of the combined effect of an increase in the average wage, which was within the normal range, and an increase in the total number of our selling and distribution staff including those from the subsidiaries we acquired in 2014.

Administrative Expenses

Our administrative expenses increased by 27.3% from RMB394.6 million for the three months ended March 31, 2014 to RMB502.1 million for the three months ended March 31, 2015. The increase was mainly attributable to (i) the increase in research and development expenses as we enhanced our research and development efforts, (ii) the increase in labor costs as a result of the combined effect of an increase in the average wage, which was within the normal range, and an increase in the total number of our administrative staff including those from the subsidiaries we acquired in 2014, and (iii) the increase in depreciation and amortization as a result of the increase in our total fixed assets.

Other Expenses

Our other expenses increased by 17.5% from RMB18.3 million for the three months ended March 31, 2014 to RMB21.4 million for the three months ended March 31, 2015. The increase was mainly attributable to the increase in provisions for impairment, partially offset by the decrease in loss from forward commodity purchase contracts.

Finance Costs

Our finance costs increased by 65.3% from RMB3.6 million for the three months ended March 31, 2014 to RMB5.9 million for the three months ended March 31, 2015, primarily due to the higher amount of outstanding bank borrowings over the whole three-month period in 2015 as compared to the corresponding period in 2014.

Profit before Tax

As a result of the foregoing, our profit before tax increased by 43.6% from RMB482.7 million for the three months ended March 31, 2014 to RMB693.2 million for the three months ended March 31, 2015.

Income Tax Expenses

Our income tax expenses increased by 29.8% from RMB89.7 million for the three months ended March 31, 2014 to RMB116.4 million for the three months ended March 31, 2015, primarily due to the increase in profit before tax. Our effective income tax rate decreased from 18.6% for the three months ended March 31, 2014 to 16.8% for the three months ended March 31, 2015, mainly because CRSC CASCO, which we acquired in December 2014, enjoys the preferential tax rate of 15% and lowered our overall effective income tax rate.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 46.7% from RMB393.0 million for the three months ended March 31, 2014 to RMB576.8 million for the three months ended March 31, 2015.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue

Our revenue increased by 32.6% from RMB13,064.6 million for the year ended December 31, 2013 to RMB17,328.6 million for the year ended December 31, 2014. The following table sets forth the revenue generated from each of our business lines and their respective percentages of our total revenue for the years ended December 31, 2013 and 2014, as well as the percentages of change from the year ended December 31, 2013 to the year ended December 31, 2014:

	Year ended December 31,				
	2013		2014		Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Design and integration	3,478,596	26.6	4,908,771	28.3	41.1
Equipment manufacturing	4,960,899	38.0	5,870,725	33.9	18.3
System implementation	4,167,894	31.9	5,368,037	31.0	28.8
Other businesses	457,196	3.5	1,181,110	6.8	158.3
Total revenue	**13,064,585**	**100.0**	**17,328,643**	**100.0**	**32.6**

The increase in our revenue of the three main business lines was primarily due to (i) the increase in business volume and business scale which resulted from the enhanced investment in the rail transportation industry by the PRC government, and (ii) the increase in the amount of products and services we delivered in 2014, which led to a higher amount of revenue recognized. The increase in our revenue from other businesses was mainly attributable to the revenue generated by the companies engaging in other businesses which we acquired in 2014.

Cost of Sales

Our cost of sales increased by 36.5% from RMB9,625.3 million for the year ended December 31, 2013 to RMB13,134.0 million for the year ended December 31, 2014. The following table sets forth the cost of sales of each of our business lines and their respective percentages of our total cost of sales for the years ended December 31, 2013 and 2014, as well as the percentages of change from the year ended December 31, 2013 to the year ended December 31, 2014:

	Year ended December 31,				
	2013		2014		Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Design and integration	2,274,386	23.6	3,274,994	24.9	44.0
Equipment manufacturing	3,226,996	33.5	3,955,247	30.1	22.6
System implementation	3,710,247	38.5	4,856,549	37.0	30.9
Other businesses	413,652	4.4	1,047,249	8.0	153.2
Total cost of sales	**9,625,281**	**100.0**	**13,134,039**	**100.0**	**36.5**

The increase in our total cost of sales and the cost of sales of the three main business lines slightly outpaced the increase of our total revenue and the revenue of the corresponding business lines, respectively, primarily due to an increase in components and raw materials costs and labor costs in all business lines.

Gross Profit and Gross Profit Margin

Our gross profit increased by 22.0% from RMB3,439.3 million for the year ended December 31, 2013 to RMB4,194.6 million for the year ended December 31, 2014. Our gross profit margin was 26.3% for the year ended December 31, 2013, and 24.2% for the year ended December 31, 2014. The following table sets forth the breakdown of our gross profit and gross profit margin of each business line for the years ended December 31, 2013 and 2014, as well as the percentages of change in gross profit from the year ended December 31, 2013 to the year ended December 31, 2014:

	Year ended December 31,						
	2013			2014			
	Gross profit	Gross profit percentage	Gross profit margin	Gross profit	Gross profit percentage	Gross profit margin	Change
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*%*
Design and integration	1,204,210	35.0	34.6	1,633,777	38.9	33.3	35.7
Equipment manufacturing	1,733,903	50.4	35.0	1,915,478	45.7	32.6	10.5
System implementation	457,647	13.3	11.0	511,488	12.2	9.5	11.8
Other businesses	43,544	1.3	9.5	133,861	3.2	11.3	207.4
Total	**3,439,304**	**100.0**	**26.3**	**4,194,604**	**100.0**	**24.2**	**22.0**

Based on the above analysis of revenue and cost of sales, the gross profit margin of each of our three main business lines and our overall gross profit margin decreased slightly from the year ended December 31, 2013 to the year ended December 31, 2014. The decrease was primarily due to an increase in components and raw materials costs and labor costs.

Other Income and Gains

Our other income and gains increased from RMB154.7 million for the year ended December 31, 2013 to RMB756.9 million for the year ended December 31, 2014, primarily due to (i) the gain of RMB393.9 million from the disposal of a real property in 2014, (ii) the gain of RMB135.2 million from the remeasurement of the fair value of our previously held 50% equity interests in CRSC CASCO at the acquisition date as a result of our acquisition of the additional 1% equity interest in CRSC CASCO in December 2014 and the consolidation of it as our subsidiary into our financial statements.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 23.9% from RMB370.0 million for the year ended December 31, 2013 to RMB458.6 million for the year ended December 31, 2014. The increase was mainly attributable to (i) an increase in labor costs as a result of the combined effects of an increase in the average wage, which was within the normal range, and an increase in the total number of our selling and distribution staff, and (ii) an increase in transportation expenses due to the growth of our sales volume.

Administrative Expenses

Our administrative expenses increased by 26.5% from RMB1,706.4 million for the year ended December 31, 2013 to RMB2,158.3 million for the year ended December 31, 2014. The increase was mainly attributable to (i) an increase in research and development expenses as we enhanced our research and development efforts, (ii) an increase in safety production fees and warranty provisions, mainly because, on one hand, we recorded more safety production fees and warranty provisions in 2014 due to increased sales volume, and on the other hand, the safety production fees and warranty provisions in 2013 were particularly low as we reversed certain special provisions made in previous years since no actual additional expenses associated therewith had occurred, thus reducing the net amount of the safety production fees and warranty provisions in 2013, (iii) the increase in labor costs as a result of the combined effects of an increase in the average wage, which was within the normal range, and an increase in the total number of our administrative staff, and (iv) the increase in depreciation and amortization as a result of the increase in our total fixed assets.

Other Expenses

Our other expenses decreased from RMB191.6 million for the year ended December 31, 2013 to RMB29.5 million for the year ended December 31, 2014. The decrease was mainly because in 2013 we recorded a loss from disposal of intangible assets in the amount of RMB106.9 million in connection with our discard of certain patents and proprietary technologies which we considered to no longer have value for future use or sales.

Finance Costs

Our finance costs remained stable and were RMB14.4 million and RMB14.7 million for the years ended December 31, 2013 and 2014, respectively.

Profit before Tax

As a result of the foregoing, our profit before tax increased by 67.9% from RMB1,472.7 million for the year ended December 31, 2013 to RMB2,472.9 million for the year ended December 31, 2014.

Income Tax Expenses

Our income tax expenses increased by 85.2% from RMB233.8 million for the year ended December 31, 2013 to RMB433.0 million for the year ended December 31, 2014, primarily due to the increase in profit before tax. Our effective income tax rate increased from 15.9% for the year ended December 31, 2013 to 17.5% for the year ended December 31, 2014, mainly because some of the subsidiaries engaging in other businesses which we acquired in 2014 were not entitled to the 15% preferential tax rate and thus were subject to the statutory income tax rate of 25%.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 64.7% from RMB1,238.9 million for the year ended December 31, 2013 to RMB2,039.9 million for the year ended December 31, 2014.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue

Our revenue increased by 23.8% from RMB10,550.9 million as of December 31, 2012 to RMB13,064.6 million as of December 31, 2013. The following table sets forth the revenue generated from each of our business lines and their respective percentages of our total revenue for the years ended December 31, 2012 and 2013, as well as the percentages of change from the year ended December 31, 2012 to the year ended December 31, 2013:

	For the year ended December 31,				
	2012		2013		Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Design and integration	3,551,245	33.7	3,478,596	26.6	(2.0)
Equipment manufacturing	4,157,659	39.4	4,960,899	38.0	19.3
System implementation	2,842,008	26.9	4,167,894	31.9	46.7
Other businesses	—	—	457,196	3.5	N/A
Total	**10,550,912**	**100.0**	**13,064,585**	**100.0**	**23.8**

Revenue from the design and integration business decreased slightly mainly because fewer design and integration projects commenced in 2012 due to industry-wide factors, and based on the schedule of progress of such projects, less revenue was recognized in 2013. The increase in revenue from the equipment manufacturing business was mainly attributable to a rise in overall industry purchases in 2013 as compared to 2012. The increase in revenue from the system implementation business was mainly because some of our system implementation projects were delayed in 2012 and resumed in 2013, resulting in more revenue recognized in 2013, in line with the completion of these projects. In addition, we began to generate revenue from other businesses from the year ended December 31, 2013.

Cost of Sales

Our cost of sales increased by 25.8% from RMB7,650.3 million for the year ended December 31, 2012 to RMB9,625.3 million for the year ended December 31, 2013. The following table sets forth the cost of sales of each of our business lines and their respective percentages of our total cost of sales for the years ended December 31, 2012 and 2013, as well as the percentages of change from the year ended December 31, 2012 to the year ended December 31, 2013:

	For the year ended December 31,				
	2012		2013		Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Design and integration	2,441,492	31.9	2,274,386	23.6	(6.8)
Equipment manufacturing	2,689,647	35.2	3,226,996	33.5	20.0
System implementation	2,519,180	32.9	3,710,247	38.5	47.3
Other businesses	—	—	413,652	4.4	N/A
Total	**7,650,319**	**100.0**	**9,625,281**	**100.0**	**25.8**

The decrease in cost of sales of design and integration business slightly outpaced the decrease in revenue in such business, resulting in a higher gross profit margin in 2013. This is mainly because we adopted cost control measures such as tendering and centralized procurement in our procurement of components and raw materials for the design and integration business since 2013. Doing so has helped us to effectively control the procurement costs of the design and integration business. The increase in our cost of sales of the equipment manufacturing business and the system implementation business slightly outpaced our revenue growth in these two business lines, primarily due to an increase in components and raw materials costs and labor costs of these two business lines. In addition, we began to incur costs for our other businesses from the year ended December 31, 2013. Overall, the increase of our total cost of sales in 2013 as compared to 2012 outpaced the increase of our total revenue during the same period.

Gross Profit and Gross Profit Margin

Our gross profit increased by 18.6% from RMB2,900.6 million for the year ended December 31, 2012 to RMB3,439.3 million for the year ended December 31, 2013. Our gross profit margin was 27.5% and 26.3% for the years ended December 31, 2012 and 2013, respectively. The following table sets forth the breakdown of our gross profit and gross profit margin of each business line for the years ended December 31, 2012 and 2013, as well as the percentage of change in gross profit from the year ended December 31, 2012 to the year ended December 31, 2013:

	For the year ended December 31,						
	2012			2013			
	Gross profit	Gross profit percentage	Gross profit margin	Gross profit	Gross profit percentage	Gross profit margin	Change
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*%*
Design and integration	1,109,753	38.3	31.2	1,204,210	35.0	34.6	8.5
Equipment manufacturing	1,468,012	50.6	35.3	1,733,903	50.4	35.0	18.1
System implementation	322,828	11.1	11.4	457,647	13.3	11.0	41.8
Other businesses	—	—	N/A	43,544	1.3	9.5	N/A
Total	**2,900,593**	**100.0**	**27.5**	**3,439,304**	**100.0**	**26.3**	**18.6**

Based on the above analysis of revenue and cost of sales and as we also commenced our other businesses which had a relatively lower gross profit margin in 2013, our overall gross profit margin decreased slightly in the year ended December 31, 2013 compared to the year ended December 31, 2012.

Other Income and Gains

Our other income and gains remained stable and were RMB140.3 million and RMB154.7 million for the years ended December 31, 2012 and 2013, respectively.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 25.1% from RMB295.8 million for the year ended December 31, 2012 to RMB370.0 million for the year ended December 31, 2013. The increase was mainly attributable to (i) an increase in labor costs as a result of the combined effects of an increase in the average wage, which was within the normal range, and an increase in the total number of our selling and distribution staff, (ii) an increase in sales service fees, primarily due to a rise in sales related travelling expenses, and (iii) an increase in transportation expenses due to the growth of our sales volume.

Administrative Expenses

Our administrative expenses increased by 9.2% from RMB1,562.2 million for the year ended December 31, 2012 to RMB1,706.4 million for the year ended December 31, 2013. This increase was mainly attributable to (i) an increase in research and development expenses as we enhanced our research and development efforts, and (ii) an increase in labor costs as a result of the combined effects of an increase in the average wage, which was within the normal range, and an increase in the total number of our administrative staff, partially offset by a decrease in safety production fees and warranty provisions. The safety production fees and warranty provisions decreased mainly because in 2013 we reversed certain special warranty provisions made in previous years since no actual additional expenses associated therewith had occurred, significantly reducing the net amount of warranty provisions in 2013, the effect of which was partially offset by an increase in the safety production fees due to increased sales volume.

Other Expenses

Our other expenses increased from RMB49.1 million for the year ended December 31, 2012 to RMB191.6 million for the year ended December 31, 2013. The increase was mainly because we recorded a loss from disposal of intangible assets of RMB106.9 million in 2013 in connection with our discard of certain patents and proprietary technologies which we considered had no value for future use or sales.

Finance Costs

Our finance costs decreased from RMB46.0 million for the year ended December 31, 2012 to RMB14.4 million for the year ended December 31, 2013, primarily due to a decrease in the total amount of our interest-bearing borrowings.

Profit before Tax

As a result of the foregoing, our profit before tax increased by 19.1% from RMB1,236.2 million for the year ended December 31, 2012 to RMB1,472.7 million for the year ended December 31, 2013.

Income Tax Expenses

Our income tax expenses increased by 57.0% from RMB148.9 million for the year ended December 31, 2012 to RMB233.8 million for the year ended December 31, 2013, primarily due to the increase in profit before tax. Our effective income tax rate increased from 12.0% for the year ended December 31, 2012 to 15.9% for the year ended December 31, 2013, mainly because the taxable income generated by the subsidiaries subject to the statutory 25% income tax rate accounted for a larger portion of our total taxable income in 2013 as compared to 2012.

Our effective income tax rate for the year ended December 31, 2012 was notably lower than 15%, mainly because (i) most of our subsidiaries that generated profit in 2012 were entitled to the 15% preferential income tax rate as high and new technology enterprises, (ii) the investment income we shared from our joint ventures and associates was exempted from income tax, and (iii) certain of our research and development expenses were entitled to additional deduction from our taxable income pursuant to certain tax policies.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 13.9% from RMB1,087.3 million for the year ended December 31, 2012 to RMB1,238.9 million for the year ended December 31, 2013.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our liquidity requirements through cash flows from operations and bank borrowings. Our primary liquidity requirements are to fund working capital, capital expenditures and payments of principal and interest due on our borrowings. Going forward, we expect these requirements to continue to be our principal requirements of liquidity and we may use a portion of the proceeds from the Global Offering to finance some of our capital requirements. As of May 31, 2015, we had RMB17,080.0 million available bank facilities, of which RMB11,654.0 million was unutilized and unrestricted, and cash and cash equivalents of RMB5,713.7 million.

Cash Flow

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Three Months ended March 31,	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net cash from/(used in) operating activities	690,599	1,585,360	1,190,816	(114,201)	(198,495)
Net cash (used in)/from investing activities	(909,355)	(1,354,468)	1,503,933	86,067	(112,291)
Net cash (used in)/from financing activities	(280,594)	688,743	52,124	(20,806)	(106,820)
Net (decrease)/increase in cash and cash equivalents	(499,350)	919,635	2,746,873	(48,940)	(417,606)
Cash and cash equivalents at the beginning of the period	2,751,121	2,252,322	3,171,451	3,171,451	5,917,548
Effect of foreign exchange rate changes on cash and cash equivalents	551	(506)	(776)	378	(249)
Cash and cash equivalents at the end of the period	**2,252,322**	**3,171,451**	**5,917,548**	**3,122,889**	**5,499,693**

Net cash from operating activities

Net cash from operating activities primarily consists of profit before tax adjusted for non-cash items and all other items for which the cash effects are non-operating (such as depreciation of property, plant and equipment, amortization of prepaid land lease payments and intangible assets, share of profits of joint ventures and associates and finance costs), and the effects of changes in

working capital, such as increase or decrease of inventories, trade and bills receivables, prepayments, deposits and other receivables, trade and bills payables and other payables, advances from customers and accruals. Cash flows from operating activities can be significantly affected by factors such as the timing of collections of trade and bills receivables from customers and payments of trade and other payables to suppliers during the ordinary course of business.

For the three months ended March 31, 2015, we recorded net cash outflows used in operating activities of RMB198.5 million, primarily as a result of the cash inflow from operating activities before movements in working capital of RMB816.0 million (reflecting the profit before tax after adjustments of certain items), and adjusted for: (i) an increase in trade and bills payables of RMB662.6 million, primarily due to the purchases of components and raw materials made in the first three months of 2015, and (ii) a decrease in inventories of RMB169.7 million due to our management of inventory level in the first quarter according to our manufacturing demands, which was offset by (i) a decrease in other payables, advances from customers and accruals of RMB790.3 million, mainly because some of the advances from customers were recognized as revenue in accordance with arrangements with customers, (ii) an increase in trade and bills receivables of RMB625.2 million, primarily due to the revenue generated in the first three months of 2015 while our collection of trade receivables is usually slower in the first quarter, and (iii) an increase in prepayments, deposits and other receivables of RMB291.1 million, primarily due to the increase in our performance deposits. We paid income tax of RMB157.8 million for the three months ended March 31, 2015.

For the three months ended March 31, 2014, we recorded net cash outflows used in operating activities of RMB114.2 million, primarily as a result of the cash inflow from operating activities before movements in working capital of RMB546.4 million (reflecting the profit before tax after adjustments of certain items), and adjusted for an increase in trade and bills payables of RMB634.0 million, primarily due to the purchases of components and raw materials made in the first three months of 2014, which was offset by (i) a decrease in other payables, advances from customers and accruals of RMB424.0 million, mainly because some of the advances from customers were recognized as revenue in accordance with arrangements with customers, (ii) an increase in trade and bills receivables of RMB400.1 million, primarily due to the revenue generated in the first three months of 2014 while our collection of trade receivables is usually slower in the first quarter, (iii) an increase in prepayments, deposits and other receivables of RMB274.2 million, primarily due to an increase in prepayments to suppliers, and (iv) an increase in inventories of RMB143.6 million. We paid income tax of RMB80.7 million for the three months ended March 31, 2014.

For the year ended December 31, 2014, we recorded net cash inflows from operating activities of RMB1,190.8 million, primarily as a result of the cash inflow from operating activities before movements in working capital of RMB2,139.4 million (reflecting the profit before tax after adjustments of certain items), and adjusted for: (i) an increase in trade and bills payables of RMB1,023.3 million, primarily due to the increase of our procurement volume in line with the increase of sales volume, (ii) an increase in other payables, advances from customers and accruals of RMB523.4 million, primarily due to the increase in advances from customers due to the increase in purchase volume from customers as well as the construction costs payable for the construction project

of our China Railway Transportation Research Center, and (iii) a decrease in the net value of amount due from contract customers (representing the portion that amount due from contract customers exceeded amount due to contract customers) of RMB216.4 million as in general our customers accelerated their settlement with us, which was partially offset by (i) an increase in trade and bills receivables of RMB1,055.1 million, primarily due to the increase in our revenue, (ii) an increase in inventories of RMB726.8 million, mainly as we purchased more inventories to prepare for manufacturing requirements, and (iii) an increase in prepayments, deposits and other receivables of RMB542.5 million, primarily due to the increase in bidding deposits, performance deposits and prepayments to suppliers in line with the growth of our sales volume. We paid income tax of RMB326.7 million in the year ended December 31, 2014.

For the year ended December 31, 2013, we recorded net cash inflows from operating activities of RMB1,585.4 million, primarily as a result of the cash inflow from operating activities before movements in working capital of RMB1,700.3 million (reflecting the profit before tax after adjustments of certain items), and adjusted for: (i) an increase in trade and bills payables of RMB1,234.5 million, primarily due to the increase of our procurement volume in line with the increase of sales volume, (ii) an increase in other payables, advances from customers and accruals of RMB739.5 million, primarily due to the increase in advances from customers due to the increase in purchase volume from customers as well as the increase in other taxes payable, and (iii) a decrease in the net value of amount due from contract customers (representing the portion that amount due from contract customers exceeded amount due to contract customers) of RMB201.2 million as in general our customers accelerated their settlement with us, which was partially offset by (i) an increase in trade and bills receivables of RMB1,571.6 million, primarily due to the increase in our revenue, and (ii) an increase in prepayments, deposits and other receivables of RMB377.1 million, primarily due to the increase in bidding deposits, performance deposits and prepayments to suppliers in line with the growth of our sales volume. We paid income tax of RMB229.7 million in the year ended December 31, 2013.

For the year ended December 31, 2012, we recorded net cash inflows from operating activities of RMB690.6 million, primarily as a result of the cash inflow from operating activities before movements in working capital of RMB1,370.3 million (reflecting the profit before tax after adjustments of certain items), and adjusted for: (i) a decrease in inventories of RMB700.2 million, mainly because, on the one hand, our inventory level at the end of 2011 was relatively high as a result of the decline in production activities in 2011, and on the other hand, the production activities began to recover in 2012, which reduced the inventory level at the end of 2012, (ii) a decrease in prepayments, deposits and other receivables of RMB174.7 million, primarily due to the decrease in our prepayments, and (iii) an increase in trade and bills payables of RMB166.6 million, primarily due to the increase in our procurement volume in line with the increase in sales volume, which was partially offset by (i) a decrease in the net value of amount due to contract customers (representing the portion of amount due to contract customers that exceeded amount due from contract customers) of RMB882.5 million, (ii) an increase in trade and bills receivables of RMB378.8 million, primarily due to the increase of our revenue, and (iii) a decrease in other payables, advances from customers and accruals of RMB299.4 million, primarily due to a decrease in advances from customers. We paid income tax of RMB225.3 million in the year ended December 31, 2012.

Net cash (used in)/from investing activities

Our cash inflow from investing activities primarily consists of proceeds from the disposal of property, plant and equipment. Our cash outflow from investing activities primarily consists of payments for acquisition of property, plant and equipment, payments for acquisition of intangible assets and payments for acquisition of subsidiaries.

For the three months ended March 31, 2015, we recorded net cash outflows from investing activities of RMB112.3 million, primarily due to payment for acquisition of property, plant and equipment of RMB196.7 million mainly relating to our China Railway Transportation Research Center, which was partially offset by (i) a decrease in advances to a non-controlling shareholder of RMB50.0 million as a result of the repayment of loan by the non-controlling shareholder of CRSC CASCO to CRSC CASCO, and (ii) an increase in pledged deposits of RMB19.6 million.

For the three months ended March 31, 2014, we recorded net cash inflows from investing activities of RMB86.1 million, primarily due to the cash and cash equivalents of RMB613.0 million that we consolidated from our acquisition of subsidiaries, mainly attributable to the acquisition of CRSC Guizhou Construction, which was partially offset by the payment for acquisition of prepaid land lease payments of RMB527.2 million relating to our China Railway Transportation Research Center.

For the year ended December 31, 2014, we recorded net cash inflows from investing activities of RMB1,503.9 million, primarily due to (i) proceeds from the disposal of a non-current asset held for sale of RMB1,468.0 million, mainly attributable to our disposal of one of our real properties in 2014, (ii) cash and cash equivalents of RMB700.6 million that we consolidated from our acquisition of subsidiaries, mainly attributable to the acquisition of CRSC CASCO and CRSC Guizhou Construction, and (iii) a decrease in non-pledged time deposits with original maturity of more than three months of RMB643.7 million, which was partially offset by: (i) payment for acquisition of prepaid land lease payments and other related costs of RMB700.6 million, which was mainly used to purchase the land for the construction project of our China Railway Transportation Research Center, and (ii) payment for acquisition of property, plant and equipment of RMB694.9 million, which was mainly used to pay the construction costs for our China Railway Transportation Research Center.

For the year ended December 31, 2013, we recorded net cash outflows from investing activities of RMB1,354.5 million, primarily due to (i) prepayment for acquisition of subsidiaries of RMB518.2 million, mainly relating to our acquisition of CRSC Guizhou Construction and CRSC Wanquan, (ii) payment for acquisition of property, plant and equipment of RMB432.6 million, which was mainly used to pay the construction costs for our China Railway Transportation Research Center, and (iii) an increase in non-pledged time deposits with original maturity of more than three months of RMB402.5 million, which was partially offset by the dividends received from associates and joint ventures of RMB99.4 million.

For the year ended December 31, 2012, we recorded net cash outflows from investing activities of RMB909.4 million, primarily due to (i) an increase in non-pledged time deposits with original maturity of more than three months of RMB400.0 million, (ii) payment for acquisition of prepaid land lease payments and other related costs of RMB309.4 million, which was mainly used to purchase the land for our China Railway Transportation Research Center, and (iii) payment for acquisition of property, plant and equipment of RMB272.8 million, which was mainly used to pay the construction costs of our China Railway Transportation Research Center, which was partially offset by the dividends received from associates and joint ventures of RMB86.7 million.

Net cash (used in)/from financing activities

Our cash inflow from financing activities primarily consists of bank loans and other borrowings as well as proceeds from capital contribution from Shareholders of the Company and non-controlling shareholders of our subsidiaries. Our cash outflow from financing activities primarily consists of cash used for repayment of bank loans and other borrowings and cash used for payment of dividends to the Shareholders of the Company and non-controlling shareholders of our subsidiaries.

For the three months ended March 31, 2015, we recorded net cash outflows from financing activities of RMB106.8 million, primarily due to (i) dividends paid to Shareholders of the Company of RMB77.5 million, and (ii) repayment of bank loans of RMB23.4 million.

For the three months ended March 31, 2014, we recorded net cash outflows from financing activities of RMB20.8 million, primarily due to repayment of bank loans of RMB15.3 million.

For the year ended December 31, 2014, we recorded net cash inflows from financing activities of RMB52.1 million, primarily due to an increase in bank loans of RMB300.0 million, partially offset by our repayment of bank loans of RMB233.9 million.

For the year ended December 31, 2013, we recorded net cash inflows from financing activities of RMB688.7 million, primarily due to: (i) capital contributions from Shareholders of the Company of RMB1,418.3 million, and (ii) an increase in bank loans of RMB344.8 million, partially offset by: (i) repayment of bank loans and other borrowings of RMB879.2 million, and (ii) dividends paid to Shareholders of the Company of RMB151.0 million.

For the year ended December 31, 2012, we recorded net cash outflows from financing activities of RMB280.6 million, primarily due to the repayment of bank loans of RMB1,368.8 million, partially offset by an increase in bank loans of RMB1,237.8 million.

Capital Expenditures

In the past, we incurred capital expenditures primarily for the procurement of machinery used to manufacture rail transportation control system equipment, the construction and expansion of our manufacturing and refurbishment facilities, and prepaid land lease payment. Our capital expenditures were RMB615.5 million, RMB552.6 million and RMB1,434.1 million for the years ended December 31, 2012, 2013 and 2014, respectively, and RMB548.7 million and RMB199.5 million for the three months ended March 31, 2014 and 2015, respectively. For the year ended December 31, 2014, our capital expenditures were relatively higher than previous years, primarily due to the prepaid land lease payment and the purchase of property, plant and equipment and other long-term assets in connection with our China Railway Transportation Research Center. The following table sets forth the major components of our capital expenditures on cash basis for the periods indicated:

	Year ended December 31,			Three Months ended March 31,	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment and other long-term assets	272,753	432,644	694,916	7,604	196,677
Prepaid land lease payment	309,400	83,802	700,608	527,170	—
Other intangible assets	33,305	36,181	38,625	13,891	2,776
Total capital expenditures	**615,458**	**552,627**	**1,434,149**	**548,665**	**199,453**

As of March 31, 2015, we had contracted but not provided for capital commitments of RMB22.9 million, which will be mainly used for the acquisition of property, plant and equipment. As of the Latest Practicable Date, we estimate that our capital expenditures for the years ending December 31, 2015 and 2016 are expected to be approximately RMB4,000 million and RMB2,500 million, respectively, which will be mainly used for the construction of industrial facilities for rail transportation equipment manufacturing, electronic information and Smart Cities, and the upgrade of technology and production capacity for existing rail transportation control systems. See "Future Plans and Use of Proceeds." These capital expenditures will be financed by cash flows generated from operating activities, proceeds from the Global Offering and/or bank borrowings. We are not currently, nor have we in the past been, subject to any external capital restrictions.

Although these are our current plans with respect to our capital expenditures, such plans may change as a result of a change of circumstances and the actual amount of expenditures may vary from the estimated amount of expenditures set out above for a variety of reasons, including changes in market conditions and competition. As we continue to expand, we may incur additional capital expenditures. Our ability to obtain additional funding for our future capital expenditures is subject to a variety of uncertainties, including our future operating results, financial condition, cash flow and economic, political and other conditions in the PRC and Hong Kong.

Working Capital

During Track Record Period, we have met our working capital needs mainly from our cash and cash equivalents on hand, cash generated from operations and bank borrowings. We manage our cash flow and working capital by closely monitoring and managing, among other things, (i) the level of our accounts payables and receivables and (ii) our ability to obtain external financing. We also diligently review future cash flow requirements and assess our ability to meet debt repayment schedules, and if necessary, adjust the investment, financing and dividend payout plans so as to ensure we maintain sufficient working capital.

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, cash generated from operations, unutilized bank facilities and additional bank and debt financings we may obtain, as well as the estimated net proceeds from the Global Offering, after diligent and careful investigation, our Directors are of the opinion, and the Joint Sponsors concur, that we have sufficient working capital required for our operations at present and for at least the next 12 months from the date of this prospectus.

Net Current Assets

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,			As of March 31,	As of May 31,
	2012	2013	2014[1]	2015	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current assets					
Non-current asset held for sale	—	1,079,813	—	—	—
Prepaid land lease payments	31,350	34,183	47,330	47,330	45,725
Inventories	2,030,961	2,047,602	2,861,486	2,691,700	3,074,012
Trade and bills receivables	4,376,211	5,997,873	7,324,348	7,918,549	8,121,359
Prepayments, deposits and other receivables	658,162	1,067,537	1,959,649	2,221,019	2,247,972
Amounts due from contract customers	2,029,889	2,305,799	3,110,558	3,741,444	4,216,300
Tax recoverable	5,796	3,746	14,374	7,311	18,269
Pledged deposits	103,435	124,214	163,466	166,798	123,308
Cash and cash equivalents	2,652,322	3,973,907	6,345,708	5,908,248	5,713,711
Total current assets	**11,888,126**	**16,634,674**	**21,826,919**	**22,702,399**	**23,560,656**

	As of December 31,			As of March 31,	As of May 31,
	2012	2013	2014[1]	2015	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities					
Trade and bills payables	4,019,210	5,243,880	6,985,712	7,606,103	8,131,666
Amounts due to contract customers	1,792,323	2,269,439	3,136,332	3,779,776	4,143,427
Other payables, advances from customers and accruals	1,834,667	2,760,047	4,416,537	6,740,700	6,396,824
Interest-bearing bank and other borrowings	491,900	233,749	227,626	250,000	250,000
Provisions for supplementary retirement benefits	76,738	72,642	71,916	72,732	72,732
Tax payable	47,613	42,067	144,049	136,712	48,115
Government grants	36,915	16,017	11,694	11,019	18,045
Total current liabilities	**8,299,366**	**10,637,841**	**14,993,866**	**18,597,042**	**19,060,809**
NET CURRENT ASSETS	**3,588,760**	**5,996,833**	**6,833,053**	**4,105,357**	**4,499,847**

Note:

(1) We acquired an additional 1% equity interest in CRSC CASCO in December 2014, and as a result, our shareholding in CRSC CASCO increased to 51% and we gained control of CRSC CASCO by revising its articles of association. Effective on December 31, 2014, CRSC CASCO became one of our consolidated subsidiaries, whereas before that time it was a joint venture. Accordingly, our consolidated statements of financial position as of December 31, 2014 include the assets, liabilities and equity of CRSC CASCO as of the same date, while our consolidated statements of comprehensive income and consolidated statements of cash flow during the years ended December 31, 2012, 2013 and 2014 do not consolidate the performance result of CRSC CASCO. We recorded our investment income from CRSC CASCO as share of profits of joint ventures under our consolidated statements of comprehensive income based on our then shareholding in CRSC CASCO, which was 50%, in the years ended December 31, 2012, 2013 and 2014. See "Financial Information — Acquisitions During and After Track Record Period — Acquisition of CRSC CASCO" and Note 38 in the Accountants' Report included in Appendix I in this prospectus.

As of December 31, 2012, 2013 and 2014, March 31, 2015 and May 31, 2015, our net current assets amounted to RMB3,588.8 million, RMB5,996.8 million, RMB6,833.1 million, RMB4,105.4 million and RMB4,499.8 million, respectively.

Our net current assets increased by 9.6% from RMB4,105.4 million as of March 31, 2015 to RMB4,499.8 million as of May 31, 2015, primarily due to (i) an increase in amount due from contract customers of RMB474.9million, (ii) an increase in inventories of RMB382.3 million, primarily due to our purchase of more components and raw materials to prudently prepare for manufacturing requirements which generally pick up from the second quarter, and (iii) a decrease in other payables, advances from customers and accruals of RMB343.9 million, mainly because some of the advances

from customers were recognized as revenue in accordance with arrangements with customers, partially offset by (i) an increase in trade and bills payables of RMB525.6 million, primarily due to purchases of components and raw materials made in the two months ended May 31, 2015, and (ii) an increase in amount due to contract customers of RMB363.7 million.

Our net current assets decreased by 39.9% from RMB6,833.1 million as of December 31, 2014 to RMB4,105.4 million as of March 31, 2015, primarily due to (i) an increase in other payables, advances from customers and accruals of RMB2,324.2 million, mainly because we declared special dividends in February 2015 and recorded dividends payables of RMB3,227.7 million with respect to the undistributed distributable profit for the period up to December 31, 2014 as of March 31, 2015, partially offset by a decrease in advances from customers, (ii) an increase in amount due to contract customers of RMB643.4 million, (iii) an increase in trade and bills payables of RMB620.4 million, primarily due to purchases of components and raw materials made in the first three months of 2015, and (iv) a decrease in cash and cash equivalents of RMB437.5 million, partially offset by (i) an increase in amount due from contract customers of RMB630.9 million, (ii) an increase in trade and bills receivables of RMB594.2 million, primarily due to the revenue generated in the first three months in 2015 while our collection of trade receivables is usually slower in the first quarter, and (iii) an increase in prepayments, deposits and other receivables of RMB261.4 million, primarily due to the increase in our performance deposits.

Our net current assets increased by 13.9% from RMB5,996.8 million as of December 31, 2013 to RMB6,833.1 million as of December 31, 2014. The increase was due to, on one hand, the organic growth of our net current assets, and on the other hand, our acquisitions of certain subsidiaries in 2014, namely CRSC CASCO, CRSC Guizhou Construction, CRSC Wanquan, CRSC Zhengzhou Zhongan and CRSCE Hunan Construction. See Note 38 in the Accountants' Report included in Appendix I in this prospectus. In particular, the increase in our net current assets from December 31, 2013 to December 31, 2014 was mainly because of (i) an increase in cash and cash equivalents of RMB2,371.8 million, which was also partially attributable to the cash and cash equivalents we consolidated as a result of our acquisitions of the subsidiaries in 2014, (ii) an increase in trade and bills receivables of RMB1,326.5 million, primarily due to the increase in revenue and also partially attributable to the trade and bills receivables we consolidated as a result of our acquisitions of the subsidiaries in 2014, (iii) an increase in prepayments, deposits and other receivables of RMB892.1 million, primarily due to the increase in bidding deposits, performance deposits and prepayments to suppliers and also partially attributable to the prepayments, deposits and other receivables we consolidated as a result of our acquisitions of the subsidiaries in 2014, (iv) an increase in inventories of RMB813.9 million, mainly as we purchased more inventories to prepare for manufacturing requirements, and (v) an increase in amount due from contract customers of RMB804.8 million, primarily due to an additional RMB723.4 million in amounts due from contract customers which resulted from our consolidation of CRSC CASCO, which was partially offset by (i) an increase in trade and bills payables of RMB1,741.8 million, primarily due to the increase of our procurement volume in line with the increase of sales volume and also partially attributable to the trade and bills payables we consolidated as a result of our acquisitions of the subsidiaries in 2014, (ii) an increase in other payables, advances from customers and accruals of RMB1,656.5 million, primarily due to the increase

in advances from customers and increase in construction costs payable for the construction project of our China Railway Transportation Research Center, and also partially attributable to the other payables, advances from customers and accruals we consolidated as a result of our acquisitions of the subsidiaries in 2014, (iii) a decrease in non-current asset held for sale, because in 2014 we disposed the real property of RMB1,079.8 million which was recorded as non-current asset held for sale as of December 31, 2013, thus reducing the balance of non-current asset held for sale to nil as of December 31, 2014, and (iv) an increase in amounts due to contract customers of RMB866.9 million, primarily because our customers generally accelerated their settlement with us and we consolidated the amount due to contract customers of RMB569.1 million from CRSC CASCO.

Our net current assets increased by 67.1% from RMB3,588.8 million as of December 31, 2012 to RMB5,996.8 million as of December 31, 2013, mainly attributable to (i) an increase in trade and bills receivables of RMB1,621.7 million, primarily due to the increase in our revenue, (ii) an increase in cash and cash equivalents of RMB1,321.6 million, and (iii) the recording of a real property planned to be disposed at the end of 2013 as non-current asset held for sale, a current assets item, in the amount of RMB1,079.8 million, which was partially offset by (i) an increase in trade and bills payables of RMB1,224.7 million, primarily due to the increase of our procurement volume in line with the increase of sales volume, and (ii) an increase in other payables, advances from customers and accruals of RMB925.4 million, primarily due to an increase in advances from customers and an increase in other taxes payable.

Inventories

As of December 31, 2012, 2013 and 2014 and March 31, 2015, our inventories amounted to RMB2,031.0 million, RMB2,047.6 million, RMB2,861.5 million and RMB2,691.7 million, respectively, representing 17.1%, 12.3%, 13.1% and 11.9% of our total current assets, respectively.

The following table sets forth the components of our inventories as of the dates indicated:

	As of December 31,			As of March 31,
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Components and raw materials	617,241	370,044	752,147	664,674
Work in progress	284,580	316,906	342,047	432,648
Finished goods	1,127,957	1,359,544	1,766,298	1,593,272
Low value consumables	1,183	1,108	994	1,106
Total	**2,030,961**	**2,047,602**	**2,861,486**	**2,691,700**

Our components and raw materials mainly include electronic components, wires and cables, chemical products and ferrous and non-ferrous metals. Finished goods mainly refer to various rail transportation control system equipment. Inventories are stated at the lower of cost and net realizable

value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct raw materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. Write-down of inventories will be made when the carrying value of inventories declines below their estimated net realizable value. Due to changes in market conditions, actual sales and practical usage of goods may be different from our estimates, which might affect our consolidated profit and loss. For the year ended December 31, 2012, the net amount of our reversal of impairment of inventories was RMB0.7 million. For the years ended December 31, 2013 and 2014, the net amount of our impairment of inventories was RMB17.6 million and RMB2.3 million, respectively. In particular, our impairment of inventories for the year ended December 31, 2013 was primarily due to the changes in market conditions and actual salability of our inventories as our managements reviewed inventories value for the year ended December 31, 2013. For the three months ended March 31, 2014, the net amount of our reversal of impairment of inventories was approximately RMB2,300, and for the three months ended March 31, 2015, the net amount of our impairment of inventories was approximately RMB76,400.

Our management constantly monitor the balance of our inventories to maintain it at a reasonable level and adjust the purchase and stock of inventories according to our manufacturing plans and market demands of our products and services. The balance of our inventories increased slightly by 0.8% from RMB2,031.0 million as of December 31, 2012 to RMB2,047.6 million as of December 31, 2013, primarily due to the increase in our finished goods in line with the increase in our revenue, partially offset by the decrease in our components and raw materials, which was mainly because, on one hand, the balance of components and raw materials at the end of 2012 was relatively higher than our regular level as our manufacturing had not fully recovered in 2012, and, on the other hand, the balance of components and raw materials at the end of 2013 was relatively lower than our regular level due to the rapid consumption of components and raw materials as a result of the improved market condition and greater demand of manufacturing. The balance of our inventories increased by 39.7% from RMB2,047.6 million as of December 31, 2013 to RMB2,861.5 million as of December 31, 2014, mainly due to (i) our purchase of more components and raw materials to prudently prepare for manufacturing requirements, and (ii) the increase in our finished goods in line with the increase in our revenue. The balance of our inventories decreased slightly by 5.9% from RMB2,861.5 million as of December 31, 2014 to RMB2,691.7 million as of March 31, 2015, primarily due to our management of inventory level in the first quarter according to our manufacturing demands. As of May 31, 2015, approximately RMB1,026.6 million (or 38.1%) of our inventories of RMB2,691.7 million which were outstanding as of March 31, 2015 had been consumed or sold.

The following table sets forth our inventory turnover days for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2012	2013	2014	2015
Inventory turnover days[(1)]	114	77	68	72

Note:

(1) Inventory turnover days for the years ended December 31, 2012, 2013 and 2014 equal the average inventories for the relevant period divided by the cost of sales for the same period multiplied by 365 days. Inventory turnover days for the three months ended March 31, 2015 equal the average inventories for the relevant period divided by the cost of sales for the same period multiplied by 90 days. Average inventories equal the inventories at the beginning of the period plus the inventories at the end of the same period divided by two.

Our inventory turnover days decreased from 114 days for the year ended December 31, 2012 to 77 days for the year ended December 31, 2013 and further decreased to 68 days for the year ended December 31, 2014, mainly due to (i) our efforts to continuously enhance inventory management, and (ii) greater customer demands for our products as a result of the expansion of our business. Our inventory turnover days for the three months ended March 31, 2015 were 72 days.

Trade and Bills Receivables

Our trade and bills receivables mainly represent the credit sales of our products or services to be paid by our customers and retention held by our customers for contract works. As of December 31, 2012, 2013 and 2014 and March 31, 2015, our trade and bills receivables (including the portion classified as non-current assets) were RMB4,564.0 million, RMB6,311.0 million, RMB7,920.3 million and RMB8,537.1 million, respectively. The following table sets forth the information of our trade and bills receivables (including the portion classified as non-current assets) with breakdown by type of customers:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
State-owned enterprises	4,137,372	5,825,896	7,144,996	7,908,662
Non state-owned enterprises	366,813	528,165	424,479	486,684
Trade receivables	4,504,185	6,354,061	7,569,475	8,395,346
Less: Provision for impairment	(374,805)	(414,778)	(433,582)	(441,973)
Trade receivables net	4,129,380	5,939,283	7,135,893	7,953,373
Bills receivable	434,575	371,764	784,410	583,684
	4,563,955	**6,311,047**	**7,920,303**	**8,537,057**
Portion classified as non-current assets	(187,744)	(313,174)	(595,955)	(618,508)
Total Current Portion	**4,376,211**	**5,997,873**	**7,324,348**	**7,918,549**

The following table sets forth an aging analysis of our trade and bills receivables (including the portion classified as non-current assets), based on the invoice date and net of provisions for impairment, as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	3,639,643	4,892,114	6,142,789	6,557,869
1 to 2 years	625,562	932,219	1,295,643	1,383,781
2 to 3 years	174,939	294,272	336,235	366,064
Over 3 years	123,811	192,442	145,636	229,343
Total trade and bills receivables	**4,563,955**	**6,311,047**	**7,920,303**	**8,537,057**

The following tables set forth the aging analysis of our trade and bills receivables (including the portion classified as non-current assets and before provisions for impairment) by type of customers, based on the invoice date, as of the dates indicated:

	As of December 31, 2012			
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
State-owned enterprises	2,982,343	646,308	229,520	279,200
Non state-owned enterprises	236,971	69,320	36,134	24,389
Trade receivables	3,219,314	715,628	265,654	303,589
Bills receivable	434,575	—	—	—
Total trade and bills receivables	**3,653,889**	**715,628**	**265,654**	**303,589**

	As of December 31, 2013			
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
State-owned enterprises	4,179,660	918,553	315,420	412,263
Non state-owned enterprises	372,241	51,589	31,665	72,670
Trade receivables	4,551,901	970,142	347,085	484,933
Bills receivable	371,764	—	—	—
Total trade and bills receivables	**4,923,665**	**970,142**	**347,085**	**484,933**

	As of December 31, 2014			
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
State-owned enterprises	5,200,102	1,251,192	399,675	294,027
Non state-owned enterprises	246,884	100,579	11,990	65,026
Trade receivables	5,446,986	1,351,771	411,665	359,053
Bills receivable	784,410	—	—	—
Total trade and bills receivables	**6,231,396**	**1,351,771**	**411,665**	**359,053**

	As of March 31, 2015			
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
State-owned enterprises	5,817,305	1,363,077	391,023	337,257
Non state-owned enterprises	247,767	149,162	23,147	66,608
Trade receivables	6,065,072	1,512,239	414,170	403,865
Bills receivables	583,684	—	—	—
Total trade and bills receivables	**6,648,756**	**1,512,239**	**414,170**	**403,865**

Our trade and bills receivables (including the portion classified as non-current assets) increased by 38.3% from RMB4,564.0 million as of December 31, 2012 to RMB6,311.0 million as of December 31, 2013, and further increased by 25.5% to RMB7,920.3 million as of December 31, 2014. Excluding the additional trade and bills receivables (including the portion classified as non-current assets) of RMB820.3 million as of December 31, 2014 which resulted from our acquisitions of subsidiaries in 2014, our trade and bills receivables (including the portion classified as non-current assets) would have increased by 12.5% from December 31, 2013 to December 31, 2014. From December 31, 2014 to March 31, 2015, our trade and bills receivables (including the portion classified as non-current assets) increased by 7.8% from RMB7,920.3 million to RMB8,537.1 million. During the Track Record Period, the increase in our trade and bills receivables was generally in line with the increase in our revenue. Balances of our trade and bills receivables grew at lower rates during the period from December 31, 2013 to December 31, 2014 and the period from December 31, 2014 to March 31, 2015 as compared to the growth from December 31, 2012 to December 31, 2013, mainly as a result of our enhanced collection efforts.

Our senior managements regularly review the recoverability of our overdue balances and when appropriate, provide for impairment of these trade and bills receivables. Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless we are satisfied that the possibility of recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly. We believe that our exposure to the risks of being unable to collect payments is small. As of December 31, 2012, 2013 and 2014 and March 31, 2015, trade receivables from customers that are state-owned enterprises (including the portion classified as non-current assets) accounted for 91.9%, 91.7%, 94.4% and 94.2% of our total trade receivables (including the portion classified as non-current assets), respectively. Such state-owned enterprise customers are generally large enterprises with good credit histories, and the risk of such customers becoming insolvent and unable to pay their trade receivables is relatively low. As of December 31, 2012, 2013 and 2014 and March 31, 2015, trade receivables aged less than one year (including the portion classified as non-current assets) accounted for 79.7%, 77.5%, 77.6% and 76.8% of our total trade and bills receivables, respectively. For the years ended December 31, 2012, 2013 and 2014, the write-off of our uncollectible trade receivables was RMB1.4 million, RMB2.5 million and RMB4.7 million, respectively. For the three months ended March 31, 2014 and 2015, the write-off of our uncollectible trade receivables was approximately RMB64,300 and RMB17,000, respectively. In addition, our management monitor our trade receivable balances on an ongoing basis and make provisions for impairment at appropriate levels. As of December 31, 2012, 2013 and 2014 and March 31, 2015, we had provisions for impairment of trade receivables of RMB374.8 million, RMB414.8 million, RMB433.6 million and RMB442.0 million, respectively. The increase in provisions for impairment of trade receivables during the Track Record Period was primarily due to the expansion of our business operations, which led to the increased trade and bills receivables and, accordingly, the increased provisions that we made based on the aging analysis of such receivables.

It is our policy that all customers who wish to trade on credit terms are subject to our credit verification procedures. We conduct evaluation of our customers' creditworthiness based on their reputation and the significance of our projects with such customers. We consider various factors such as the customer's payment history, existence of long term cooperation with the customer and whether the customer is a state-owned enterprise. The credit period that we generally grant to our customers is six months. However, based on the evaluation result and depending on our business development objectives, we may allow additional flexibility by offering certain customers a credit period longer than six months. Our trade receivables bear no interest.

The following table sets forth the turnover days of our trade and bills receivables (including the portion classified as non-current assets) for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2012	2013	2014	2015
Trade and bills receivables turnover days[(1)]	152	152	150	156

Notes:

(1) Trade and bills receivables turnover days for the years ended December 31, 2012, 2013 and 2014 equal the average trade and bills receivables (including the portion classified as non-current assets) for the relevant period divided by the revenue for the same period multiplied by 365 days. Trade and bills receivables turnover days for the three months ended March 31, 2015 equal the average trade and bills receivables for the relevant period divided by the revenue for the same period multiplied by 90 days. Average trade and bills receivables equal the trade and bills receivables (including the portion classified as non-current assets) at the beginning of the period plus the trade and bills receivables (including the portion classified as non-current assets) at the end of the same period divided by two.

Turnover days of our trade and bills receivables generally remained stable during the Track Record Period. As of May 31, 2015, RMB2,457.5 million (or 28.8%) of our trade and bills receivables (including the portion classified as non-current assets) of RMB8,537.1 million which were outstanding as of March 31, 2015 had been settled. Our trade and bills receivables turnover days primarily reflect the nature of our business and the industries where we operate, and such turnover days during the Track Record Period were consistent with industry norm.

The amount of retentions held by our customers for contract works included in our trade receivables as of December 31, 2012, 2013 and 2014 and March 31, 2015 was RMB192.3 million, RMB292.1 million, RMB305.5 million and RMB377.9 million, respectively. The following table sets forth an aging analysis of such retention:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	104,114	179,419	194,830	242,527
1 to 2 years	66,543	81,505	76,904	105,317
2 to 3 years	13,906	23,075	25,415	16,686
Over 3 years	7,744	8,075	8,396	13,398
Total	**192,307**	**292,074**	**305,545**	**377,928**

The amount of retentions in trade receivables primarily reflects the retention monies held by our customers in connection with our integration and system implementation contracts. Under such contracts, upon acceptance of projects, our customers are usually entitled to withhold an amount representing 5% of the contract value as retention during the warranty period which is usually one to two years, while we are generally entitled to collect the cash representing the rest of the contract price upon completion of the projects according to the terms of the relevant contracts. The retention may be deducted against any warranty claims during the warranty period as agreed by us. Such retention will be returned to us without interest upon expiry of warranty period if no disputes arise during the warranty period with respect to our contract works. During the warranty period, unrecovered retentions will be carried over to the next financial period, while recovered retentions will be subtracted from the total amount accordingly. Due to the nature of our business and in line with the industry norm, there were instances where we incurred cash outflows in connection with the purchase of components and raw materials, payment of power and fuels and labor costs and other expenditures according to the relevant project contracts, while we are not entitled to collect the cash representing the total contract price thereunder primarily due to the customers' withholding of retention according to contracts, which generally will be released to us after the expiry of the one to two years' warranty period. Since the retention held by customers represented only 4.2%, 4.6%, 3.9% and 4.4% of our total trade and bills receivables (including the portion classified as non-current assets) as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively, we believe that the impact of such time difference between cash outflow and cash inflow did not have any material impact on our results of operations and financial positions during the Track Record Period. On the other hand, to ensure timely collection of retention, our project manager and finance personnel cooperate closely and constantly monitor the status of retention during and upon the expiry of warranty period. We usually reach out to customers proactively upon expiry of warranty period to collect the retention. During the Track Record Period, there was no material instance where we failed to collect retention upon expiry of the relevant warranty period.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly include prepayments to suppliers, bidding deposits and performance deposits. As of December 31, 2012, 2013 and 2014 and March 31, 2015, our prepayments, deposits and other receivables amounted to RMB664.2 million, RMB1,592.3 million, RMB1,964.2 million and RMB2,241.2 million, respectively. Our prepayments, deposits and other receivables increased each year during the Track Record Period, primarily due to increases in each of prepayments to suppliers, bidding deposits and performance deposits which were in line with the growth of our sales. In addition, (i) our prepayments, deposits and other receivables as of December 31, 2013 also included prepayments for acquisitions of subsidiaries of RMB518.2 million, which related to the subsidiaries we acquired in 2014, and (ii) our prepayments, deposits and other receivables as of December 31, 2014 also included the additional prepayments, deposits and other receivables of RMB610.0 million from the subsidiaries we acquired in 2014, which consisted of deposits and other receivables of RMB506.1 million and prepayments to suppliers of RMB103.9 million.

The following table sets forth the components of prepayment, deposits and other receivables as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposit and other receivables	338,290	632,392	1,185,347	1,619,793
Provisions for impairment of deposits and other receivables	(13,870)	(20,474)	(16,525)	(24,527)
Prepayments to suppliers	314,178	432,823	650,672	536,953
Deductible input value-added tax	11,597	15,783	37,992	37,754
Dividend receivables	13,990	13,500	6,750	21,185
Prepayments for acquisition of subsidiaries	—	518,227	—	—
Advances to a non-controlling shareholder	—	—	100,000	50,000
	664,185	**1,592,251**	**1,964,236**	**2,241,158**
Portion classified as non-current assets	(6,023)	(524,714)	(4,587)	(20,139)
Total current portion	**658,162**	**1,067,537**	**1,959,649**	**2,221,019**

The advances to a non-controlling shareholder of RMB100.0 million outstanding as of December 31, 2014 represented the entrusted loan from CRSC CASCO to its non-controlling shareholder for working capital purpose. RMB50.0 million of such loan was repaid in March 2015 and the remaining balance has been repaid in full in April 2015.

Contract Work in Progress

The following table sets forth our contract work in progress as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract costs incurred plus recognized profits less recognized losses to date	41,812,536	46,656,471	64,999,980	67,260,648
Minus: Progress billings received and receivable	(41,574,970)	(46,620,111)	(65,025,754)	(67,298,980)
Contract work in progress[(1)]	**237,566**	**36,360**	**(25,774)**	**(38,332)**
Amounts due from contract customers	2,029,889	2,305,799	3,110,558	3,741,444
Amounts due to contract customers	(1,792,323)	(2,269,439)	(3,136,332)	(3,779,776)
Contract work in progress[(1)]	**237,566**	**36,360**	**(25,774)**	**(38,332)**

Note:

(1) Contract work in progress reflects the difference between (a) contract costs incurred plus profits recognized less losses recognized and (b) progress billings received and receivable. For each individual contract, if (a) exceeds (b), the difference will be recorded as amounts due from contract customers and, conversely, if (b) exceeds (a), the difference will be recorded as amounts due to contract customers. Therefore, as calculated, contract work in progress for all projects also equals amounts due from contract customers less amounts due to contract customers for all projects.

Our system implementation contracts generally contain a payment schedule setting out details of various project milestones, pursuant to which we receive payments from our customers. Such fees billed pursuant to the payment schedules are not necessarily calculated based on the percentage of completion of the project. Therefore, the revenue we recognize is different from the fees we have billed. Any unbilled balances are categorized as amounts due from customers. Further, we immediately increase our loss provisions accordingly when losses are expected to arise from the contract work in progress.

We do not recognize revenue unless upon completion of a project the amounts can be estimated reliably. Furthermore, amounts for progress billings for work in progress under our contracts are determined on a case-by-case basis. After the cost of our contract work and related amounts payable or payments are incurred and recorded, the corresponding revenues will be recognized using the percentage of completion method and the balance of the contract work in progress will increase by the same amount. Furthermore, after we have billed our customers according to the agreed payment schedule, trade receivables will increase and the balance of contract work in progress will decrease by the same amount.

As of December 31, 2012 and 2013, the net amount of our contract work in progress was RMB237.6 million and RMB36.4 million, respectively. As of December 31, 2014 and March 31, 2015, the net amount of contract work in progress was negative RMB25.8 million and negative RMB38.3 million, respectively. Excluding the additional amounts due from contract customers of RMB723.4 million and the additional amounts due to contract customers of RMB569.1 million which resulted from our consolidation of CRSC CASCO, as of December 31, 2014, the net value of our contract work in progress would have been negative RMB180.1 million. During the Track Record Period, the net value of our contract work in progress generally decreased, reflecting our customers' acceleration of their settlements with us, which caused our project settlements to outpace project progress in general.

Trade and Bills Payables

Our trade and bills payables mainly comprise payments to suppliers for procurement of components and raw materials. Our trade and bills payables (including the portion classified as non-current liabilities) increased by 30.2% from RMB4,079.6 million as of December 31, 2012 to RMB5,313.2 million as of December 31, 2013, and further increased by 32.9% to RMB7,060.7 million as of December 31, 2014 and by 8.8% to RMB7,683.6 million as of March 31, 2015. Excluding the additional trade and bills payables (including the portion classified as non-current liabilities) of

RMB984.1 million as of December 31, 2014 from the subsidiaries we acquired in 2014, our trade and bills payables (including the portion classified as non-current liabilities) would have increased by 14.4% from December 31, 2013 to December 31, 2014. During the Track Record Period, the increase in our trade and bills payables was primarily due to the increase in our procurement volume in line with the increase in our sales volume. As of May 31, 2015, RMB1,764.7 million (or 23.0%) of our trade and bills payables of RMB7,683.6 million which were outstanding as of March 31, 2015 had been settled.

The following table sets forth an aging analysis of our trade and bills payables (including the portion classified as non-current liabilities) based on invoice date as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	2,971,362	4,248,380	5,462,818	6,524,401
1 to 2 years	733,858	661,087	1,075,883	723,926
2 to 3 years	236,568	191,964	209,448	188,258
Over 3 years	137,807	211,793	312,575	247,013
Total	**4,079,595**	**5,313,224**	**7,060,724**	**7,683,598**

Normally, our trade and bills payables are settled within six months. Some suppliers may allow a credit period of more than six months based on their long-term relationships with us and our good credit history. The following table sets forth the turnover days of our trade and bills payables (including the portion classified as non-current liabilities) for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2012	2013	2014	2015
Trade and bills payables turnover days[(1)]	188	178	172	191

Note:

(1) Trade and bills payables turnover days for the years ended December 31, 2012, 2013 and 2014 equal the average trade and bills payables (including the portion classified as non-current liabilities) for the relevant period divided by the cost of sales for the same period multiplied by 365 days. Trade and bills payables turnover days for the three months ended March 31, 2015 equal the average trade and bills payables for the relevant period divided by the cost of sales for the same period multiplied by 90 days. Average trade and bills payables equal the trade and bills payables (including the portion classified as non-current liabilities) at the beginning of the period plus the trade and bills payables (including the portion classified as non-current liabilities) at the end of the same period divided by two.

From 2012 to 2014, our trade and bills payables turnover days continued to decline mainly because we accelerated our payments to suppliers. Our trade and bills payable turnover days for the three months ended March 31, 2015 increased slightly, generally in line with the trend of increase in trade and bills receivables turnover days during the same period.

Other Payables, Advances from Customers and Accruals

Our other payables, advances from customers and accruals mainly comprise advances from customers, accrued salaries, wages and benefits and other taxes payables. Our other payables, advances from customers and accruals increased by 50.4% from RMB1,834.7 million as of December 31, 2012 to RMB2,760.0 million as of December 31, 2013, primarily due to (i) the increase in advances from customers as a result of the expansion of our business scale and the corresponding increases in purchase volume from customers, and (ii) the increase in other taxes payables. In addition, we had advances from CRSC Corporation Group of RMB200.0 million outstanding as of December 31, 2012. We settled such advances in 2013 and did not have outstanding balance of such item as of December 31, 2013, which partially offset the effect of the increase in other payables, advances from customers and accruals from December 31, 2012 to December 31, 2013. Our other payables, advances from customers and accruals increased by 60.0% from RMB2,760.0 million as of December 31, 2013 to RMB4,416.5 million as of December 31, 2014, primarily due to (i) the increase in advances from customers as a result of the expansion of our business scale and the corresponding increases in purchase volume from customers, (ii) the construction costs payables of RMB349.7 million relating to the construction of our China Railway Transportation Research Center, and (iii) an additional RMB698.8 million of other payables, advances from customers and accruals from the subsidiaries we acquired in 2014, including RMB472.2 million of advances from customers. Such increase of other payables, advances from customers and accruals from December 31, 2013 to December 31, 2014 was partially offset by a decrease in other taxes payables during the same period. Our other payables, advances from customers and accruals increased by 52.6% from RMB4,416.5 million as of December 31, 2014 to RMB6,740.7 million as of March 31, 2015, primarily due to the dividends payable to Shareholders relating to the special dividends of RMB3,227.7 million declared in February 2015 with respect to the undistributed distributable profit of the Group for the period up to December 31, 2014, partially offset by the decrease in advances from customers of RMB615.3 million mainly because some of the advances from customers were recognized as revenue in accordance with arrangements with customers.

The following table sets forth the components of our other payables, advances from customers and accruals as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	923,489	1,804,177	2,919,160	2,303,885
Accrued salaries, wages and benefits	263,410	267,598	443,862	301,115
Other taxes payable	244,133	399,266	265,748	262,314
Dividends payable to Shareholders	—	—	77,510	3,228,364
Other payables for acquisition of items of property, plant and equipment	—	—	349,737	313,322
Advances from CRSC Corporation Group	200,000	—	—	—
Other payables	203,635	289,006	360,520	331,700
	1,834,667	**2,760,047**	**4,416,537**	**6,740,700**

The dividends payable to Shareholders of RMB77.5 million outstanding as of December 31, 2014, which represents part of the dividends of our Company declared for the year ended December 31, 2013 and payable to the Shareholders of our Company, have been paid in full in January 2015. We have paid the special dividend of RMB3,227.7 million, which was recorded under dividends payable to Shareholders as of March 31, 2015, to the existing Shareholders of our Company in June 2015. See "— Dividend and Dividend Policy."

Our Directors confirm that we had no material defaults in our trade and bills payables or other payables during Track Record Period.

Indebtedness

As of March 31, 2015, we had total borrowings of approximately RMB294.1 million, all of which were denominated in RMB. As of May 31, 2015, the latest practicable date for the purpose of our indebtedness statement, we had RMB17,080.0 million available bank facilities, of which RMB11,654.0 million was unutilized and unrestricted.

The following table sets forth the components of our long-term and short-term borrowings as of the dates indicated:

	As of December 31,			As of March 31,	As of May 31,
	2012	2013	2014	2015	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Short-term borrowings					
Unsecured	491,900	233,749	227,626	250,000	250,000
Long-term borrowings					
Secured	111,066	—	—	—	—
Unsecured	82,935	117,703	89,932	44,148	44,148
	194,001	117,703	89,932	44,148	44,148
Total	**685,901**	**351,452**	**317,558**	**294,148**	**294,148**

Our secured borrowings are mainly secured by our fixed assets. During the Track Record Period, our total borrowings continued to decrease as we adjusted the level of our borrowings according to our then requirements for external financings. We expect to repay our borrowings through cash flows generated from operating activities.

The following table sets forth the interest rates per annum of our long-term and short-term borrowings outstanding as of the dates indicated:

	As of December 31,			As of March 31,	As of May 31,
	2012	2013	2014	2015	2015
	%	%	%	%	%
Short-term borrowings					
Unsecured	5.40-7.22	5.04-6.90	6.00-6.65	5.21-6.65	5.21-6.65
Long-term borrowings					
Secured	6.35	N/A	N/A	N/A	N/A
Unsecured	3.30-6.90	3.80-6.90	3.30-6.65	3.30-6.65	3.30-6.65

The following table sets forth the maturity profile of our borrowings repayable as of the dates indicated:

	As of December 31,			As of March 31,	As of May 31,
	2012	2013	2014	2015	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans					
Within 1 year	441,900	233,749	227,626	250,000	250,000
2nd year	5,649	27,626	48,138	43,421	43,421
3 to 5 year	76,122	89,059	40,921	—	—
Over 5 years	111,066	—	—	—	—
	634,737	**350,434**	**316,685**	**293,421**	**293,421**
Other loans					
Within 1 year	50,000	—	—	—	—
Over 5 years	1,164	1,018	873	727	727
	51,164	1,018	873	727	727
Total	**685,901**	**351,452**	**317,558**	**294,148**	**294,148**

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that, to the best of their knowledge, they are not aware of any material defaults in the payment of trade and non-trade payables or bank borrowings or any defaults in material financial covenants. Except for the provisions under certain bank loan agreements that require us to notify the lender in writing or obtain the lender's prior written consent for any additional debt financings, our bank loan agreements do not contain any material covenants that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future.

Save as otherwise disclosed herein, as of May 31, 2015, we did not have any issued but unredeemed or any authorized or otherwise created but not issued debt securities, term loans, other borrowings or indebtedness in the form of borrowings (including bank overdrafts), acceptance liabilities (except general trading bills), acceptance credit, hire purchase commitments, mortgages and pledges, material contingent liabilities or unperformed guarantees.

In anticipation of the potential working capital needs of our operations, we entered into the following loan agreements with commercial banks in China in June 2015: (i) an RMB500 million entrusted loan with Agricultural Bank of China for a term of one year, (ii) an RMB400 million entrusted loan with Agricultural Bank of China for a term of 11 months, (iii) an RMB800 million loan with China Everbright Bank for a term of six months, and (iv) an RMB800 million loan with Huaxia Bank for a term of one year. None of such loans is secured or guaranteed. Under such loan agreements, we are required to notify the lender in writing or obtain the lender's prior written consent before we raise additional debt financings. Considering our available cash and cash equivalents on hand and net

current asset position, we believe the repayment of such loans will not have any material adverse effect on our liquidity. Our Directors confirm that, save as disclosed above, from May 31, 2015 to the date of this prospectus, there has been no material change in our indebtedness. As of the Latest Practicable Date, we did not have any other existing plan to conduct additional external debt financing.

Commitments

Operating Leases Commitments

We lease certain of our office premises under operating leases arrangement. The rent under such leases is generally fixed for a lease term. Our future minimum lease payments under non-cancellable operating leases as of the dates indicated are set forth below:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	6,850	11,999	15,309	21,008
In the second to fifth years, inclusive	4,913	6,175	8,633	33,823
After 5 years	202	148	148	—
Total	**11,965**	**18,322**	**24,090**	**54,831**

Capital commitments

In addition to the operating lease commitments, we had the following capital commitments for the acquisition of property, plant and equipment as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure in respect of property, plant and equipment				
— Contracted, but not provided for	200,439	837,635	28,908	22,904
— Authorized, but not contracted for	2,019,500	1,050,475	1,085,776	1,085,786
Acquisition in a subsidiary and an associate				
— Contracted, but not provided for	—	—	—	325,000
— Authorized, but not contracted for	—	33,000	121,540	—
Total	**2,219,939**	**1,921,110**	**1,236,224**	**1,433,690**

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements as of March 31, 2015, being the date of our most recent financial statement, and the Latest Practicable Date.

Financial Ratios

The following table sets forth certain of our financial ratios as of the dates and for the periods indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
Current ratio[(1)]	143.2%	156.4%	145.6%	122.1%
Quick ratio[(2)]	118.8%	137.1%	126.5%	107.6%
Gearing ratio[(3)]	9.0%	3.5%	2.5%	3.0%

	Year ended December 31,		
	2012	2013	2014
Return on total assets[(4)]	6.5%	6.4%	8.1%
Return on equity[(5)]	15.3%	14.0%	18.2%

Notes:

(1) Current ratio is calculated based on our total current assets divided by our total current liabilities as of the respective dates and multiplied by 100%.

(2) Quick ratio is calculated by total current assets less inventories divided by total current liabilities as of the respective dates and multiplied by 100%.

(3) Gearing ratio is calculated by total debt divided by total equity as of the respective dates and multiplied by 100%. Total debt is defined as the sum of long-term and short-term interest-bearing debts.

(4) Return on total assets ratio is calculated based on our profit for the period divided by average balance of our total assets for the beginning and the end of the period and multiplied by 100%.

(5) Return on equity ratio is calculated on our annual profit divided by the average balance of total equity for the beginning and end of the year and multiplied by 100%.

Current Ratio

Our current ratio was 143.2%, 156.4%, 145.6% and 122.1% as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively. Our current ratio as of December 31, 2013 was higher than those of December 31, 2012 and December 31, 2014, primarily due to the recording of a real property planned to be disposed as non-current asset held for sale, a current asset item, which caused the increase of current assets to outpace the increase of current liabilities from December 31, 2012 to

December 31, 2013. Our current ratio as of March 31, 2015 decreased mainly because we declared special dividends in February 2015 and recorded dividends payables of RMB3,227.7 million with respect to the undistributed distributable profit for the period up to December 31, 2014 as of March 31, 2015, which increased the balance of our total current liabilities. See "—Dividend and Dividend Policy."

Quick ratio

Our quick ratio was 118.8%, 137.1%, 126.5% and 107.6% as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively. Our quick ratio as of December 31, 2013 was higher than those of December 31, 2012 and December 31, 2014, primarily due to the recording of a real property planned to be disposed as non-current asset held for sale, a current asset item, which caused the increase of current assets to outpace the increase of current liabilities from December 31, 2012 to December 31, 2013, while our inventories remained relatively stable during that period. Our quick ratio as of March 31, 2015 decreased mainly because we declared special dividends in February 2015 and recorded dividends payables of RMB3,227.7 million with respect to the undistributed distributable profit for the period up to December 31, 2014 as of March 31, 2015, which increased the balance of our total current liabilities. See "—Dividend and Dividend Policy."

Gearing Ratio

Our gearing ratio was 9.0%, 3.5%, 2.5% and 3.0% as of December 31, 2012, 2013 and 2014 and March 31, 2015, respectively. Our gearing ratio as of December 31, 2013 was lower than that of December 31, 2012, primarily due to the additional capital contribution by the Shareholders of the Company in 2013 which increased our total equity. Our gearing ratio as of December 31, 2014 further decreased, primarily due to the decrease in the total amount of our interest-bearing debts. Our gearing ratio as of March 31, 2015 increased slightly mainly because we declared special dividends in February 2015 and recorded dividends payables of RMB3,227.7 million with respect to the undistributed distributable profit for the period up to December 31, 2014 as of March 31, 2015, which reduced our total equity. See "—Dividend and Dividend Policy."

Return on Total Assets

Our return on total assets was 6.5%, 6.4% and 8.1% for the years ended December 31, 2012, 2013 and 2014, respectively. Our return on total assets ratio remained stable from the year ended December 31, 2012 to the year ended December 31, 2013. The increase in our return on total assets from the year ended December 31, 2013 to the year ended December 31, 2014 was mainly attributable to (i) the increase in our operating income, and (ii) a one-off gain of RMB393.9 million relating to the disposal of a real property and a one-off gain of RMB135.2 million from the remeasurement of the fair value of our previously held 50% equity interests in CRSC CASCO at the acquisition date.

Return on Equity

Our return on equity was 15.3%, 14.0% and 18.2% for the years ended December 31, 2012, 2013 and 2014, respectively. Our return on equity for the year ended December 31, 2013 decreased slightly from that of the year ended December 31, 2012, primarily due to the additional capital contribution from the Shareholder of the Company in 2013 which increased our total equity. The increase in our return on equity from the year ended December 31, 2013 to the year ended December 31, 2014 was mainly attributable to (i) the increase in our operating income, and (ii) a one-off gain of RMB393.9 million relating to the disposal of a real property and a one-off gain of RMB135.2 million from the remeasurement of the fair value of our previously held 50% equity interests in CRSC CASCO at the acquisition date.

Listing Expense

Listing of the H Shares will generate listing expenses including professional fees, underwriting commissions and other expenses. The estimated listing expense (including underwriting commissions) is approximately RMB225.7 million, among which, approximately RMB206.0 million is directly attributable to the issue of H Shares and will be capitalized, and approximately RMB19.7 million has been or is expected to be reflected in our income statement. As of March 31, 2015, we have generated listing expenses of approximately RMB1.6 million, which have already been reflected in our income statement, and approximately RMB224.1 million is expected to incur after March 31, 2015.

Quantitative and Qualitative Analysis about Market Risk

We are exposed to various types of market risks in the ordinary course of our business, including credit risk, liquidity risk, interest rate risk and currency risk. We manage our exposure to these and other market risks through regular operating and financing activities.

Credit Risk

Our credit risk is primarily attributable to cash at bank and on hand, trade and bills receivables, prepayments, deposits and other receivables, and other non-current assets. We have a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis. All of our cash at bank and on hand are deposited in regulated PRC banks for which we believe the credit risk is insignificant.

The receivables due from our five largest debtors as of December 31, 2012, 2013 and 2014 and March 31, 2015 represented 19.0%, 15.8%, 12.9% and 19.7% of our total trade and bills receivables (including the portion classified as non-current assets), respectively, while as of the same dates, the receivables due from our largest debtor accounted for 6.0%, 5.1%, 3.3% and 5.6% of our total trade and bills receivables (including the portion classified as non-current assets), respectively.

Liquidity Risk

We are committed to ensuring the continuity of sufficient funding and flexibility by utilizing a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that our outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. We regularly monitor current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and long term.

In addition, we actively and regularly review and manage our capital structure to maintain a balance between higher equity returns that might be associated with a higher level of borrowings and the advantages and security provided by maintaining a sound capital position. We make adjustments to the capital structure in light of changes in economic conditions. No changes were made in the objectives, policies or procedures for managing capital during the years ended by December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015.

Interest Rate Risk

We are exposed to the risk of changes in market interest rates related primarily to our interest-bearing bank borrowings with a variable interest rate. We review and monitor the mix of fixed and variable rate borrowings in order to manage our interest rate risks.

As of December 31, 2012, 2013 and 2014 and March 31, 2015, it was estimated that with a general increase/decrease of 1% in interest rates of net floating borrowings, with all other variables held constant, our profit before tax would have increased/decreased by approximately RMB2.4 million, RMB1.2 million and RMB1.2 million and RMB0.2 million, respectively. Other components of consolidated profit and loss would not be affected by the general increase/decrease in interest rates.

Currency Risk

Our functional currency is RMB and most of our transactions settled in RMB. We sometimes use, however, foreign currencies to settle our invoices from overseas operations and our purchases of components from overseas suppliers and pay for certain expenses. RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Fluctuations in foreign exchange currency rates could adversely affect us by decreasing any revenues from our sales which are denominated in foreign currency. See "Risk Factors—Risks Relating to the PRC—Government control over the conversion of foreign exchange may affect our results of operations and financial condition, value of the investment in shares and our ability to pay dividends."

Dividend and Dividend Policy

The Company declared dividends of RMB318.7 million and RMB250.7 million, respectively, for the years ended December 31, 2012 and 2013. According to the resolutions of the Shareholders of the Company passed on February 6, 2015, which was amended and supplemented by the resolutions of the Shareholders of the Company passed on May 21, 2015 (the "Special Dividends Resolutions"), the Company declared special dividends representing all of the undistributed distributable profit of the Group accrued up to June 30, 2015 to our existing Shareholders. The special dividend representing the undistributed distributable profit of the period up to December 31, 2014 is RMB3,227.7 million, being the lower of the retained profits of the Group attributable to the owners of Company (after deducting the provisions of statutory and discretionary reserve funds made by the Company and its subsidiaries) as of December 31, 2014 determined in accordance with PRC GAAP and IFRS. We have paid such special dividend to the existing Shareholders of our Company with our available cash and cash equivalents on hand in June 2015. The special dividend representing the undistributed distributable profit of the period from January 1, 2015 to June 30, 2015 is expected to be the lower of the retained profits of the Group attributable to the owners of Company (after deducting the provisions of statutory and discretionary reserve funds made by the Company and its subsidiaries) for the period from January 1, 2015 to June 30, 2015 determined in accordance with PRC GAAP and IFRS. Based on our management account for the five months ended May 31, 2015, we currently estimate such special dividend to be approximately RMB750 million. The actual amount of such special dividend will be determined upon the completion of a special audit for the six months ended June 30, 2015 to be conducted by our independent auditor. We intend to pay such special dividend within six months after the Listing with our then available cash and cash equivalents on hand and will make an announcement regarding the actual amount of such special dividend before we pay it.

Our Articles of Association provide that dividends may be paid by cash, stock or other means that we consider appropriate. Any proposed distribution of dividends shall be formulated by the Board and subject to Shareholders' approval. The amount of dividends actually declared and paid will depend on a number of factors, including our general business condition, results of operations, our financial results/condition, our working capital, our capital requirements, our future prospects, our cash flows and any other factors which the Board may deem relevant.

Subject to the above factors and our Articles of Association, we expect that the profit to be distributed in cash every year will be no less than 15% of the distributable profit (being the lower of the amounts determined in accordance with the accounting rules of the PRC and the IFRS) in the consolidated financial statements for that year. After the Listing of our H Shares on the Hong Kong Stock Exchange, our distributable net profit after tax will be the lower of (i) the net profit determined in accordance with the accounting rules and regulations of the PRC, and (ii) the net profit determined in accordance with the IFRS. However, we cannot assure you that we will be able to declare or distribute dividends in any amount each year or in any year. The declaration and payment of dividends may be limited by legal restrictions or financing arrangements that we may enter into in the future.

Distributable Reserves

As of March 31, 2015, our aggregate amount of distributable reserves (including the Company and our subsidiaries) was approximately RMB1,092.9 million (being the retained profits of the Group).

Unaudited Pro Forma Adjusted Net Tangible Assets

The following statement of unaudited pro forma adjusted net tangible assets attributable to the Shareholders of our Company has been prepared in accordance with Rule 4.29 of the Listing Rules, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to the Shareholders of our Company as of March 31, 2015, as if the Global Offering had taken place on March 31, 2015.

The statement of unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of March 31, 2015 or at any future date.

	Consolidated net tangible assets attributable to Shareholders of the Company as of March 31, 2015[1]	**Estimated net proceeds from the Global Offering[2]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company upon completion of the Global Offering [3]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share upon completion of the Global Offering [4]**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB[5]*	*HK$[6]*
Based on an Offer Price of HK$6.30 per Share	8,064,233	8,479,608	16,543,841	1.89	2.39
Based on an Offer Price of HK$8.00 per Share	8,064,233	10,828,668	18,892,901	2.16	2.73

Notes:

(1) The consolidated net tangible assets attributable to the Shareholders of our Company as of March 31, 2015 is extracted from the Accountants' Report set out in Appendix I in this prospectus, which is based on the consolidated net assets attributable to the Shareholders of our Company as of March 31, 2015 of RMB8,959.4 million after deducting intangible

assets of RMB658.5 million and goodwill of RMB236.7 million. For the avoidance of doubt, the consolidated net tangible assets attributable to the Shareholders of our Company as of March 31, 2015 have reflected the special dividend of RMB3,227.7 million representing the undistributed distributable profit of the Group accrued up to December 31, 2014 as declared by the Company pursuant to the Special Dividends Resolutions. Pursuant to the Special Dividends Resolutions, the Company also declared special dividend representing the undistributed distributable profit of the Group accrued from January 1, 2015 to June 30, 2015, the amount of which is currently estimated to be RMB750 million. See "— Dividend and Dividend Policy" for details of all of the special dividends declared pursuant to the Special Dividends Resolutions and see footnotes 3 and 4 hereto for the pro forma information of the adjusted consolidated net tangible assets attributable to Shareholders of the Company after taking into account the effect of the special dividend for the period from January 1, 2015 to June 30, 2015.

(2) The estimated net proceeds from the Global Offering are based on an Offer Price of HK$6.30 and HK$8.00, after deducting the underwriting fees and other related expenses payable by our Company, without taking account of the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted into Renminbi at the PBOC rate of HK$1.00 = RMB0.7896 prevailing on July 20, 2015.

(3) If taking into account the effect of the special dividend for the period from January 1, 2015 to June 30, 2015, which is currently estimated to be RMB750 million, the unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company would be RMB15,793,840,626 (based on an Offer Price of HK$6.30 per Share), or RMB18,142,900,626 (based on an Offer Price of HK$8.00 per Share).

(4) If taking into account the effect of the special dividend for the period from January 1, 2015 to June 30, 2015, which is currently estimated to be RMB750 million, the unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share would be RMB1.81 or HK$2.29 (based on an Offer Price of HK$6.30 per Share), or RMB2.07 or HK$2.63 (based on an Offer Price of HK$8.00 per Share).

(5) The unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 8,750,000,000 Shares, being the number of shares in issue assuming that the Global Offering had been completed on March 31, 2015, without taking account of the exercise of the Over-allotment Option.

(6) The unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share amounts in RMB are converted into Hong Kong dollars at HK$1.00 = RMB0.7896 prevailing on July 20, 2015.

Disclosure under Rules 13.13 to 13.19 of the Hong Kong Listing Rules

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances which would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules, with respect to advance to an entity, financial assistance and guarantees to affiliated companies of an issuer, pledging of shares by the controlling shareholder, covenants in loan agreements relating to specific performance of the controlling shareholder, and breach of loan agreement by an issuer.

Related-Party Transactions

Our related party transactions are set out in Note 44 in the Accountants' Report included in Appendix I in this prospectus and the section headed "Connected Transactions" in this prospectus. It is the view of our Directors that each of such related party transactions was conducted in the ordinary

and usual course of business and on normal commercial terms between the relevant parties or terms not less favorable than terms available from independent third parties, which are considered fair, reasonable and in the interest of our Shareholders as a whole, and would not distort our track record results or make the historical results not reflective of our future performance.

No Material Adverse Change

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since March 31, 2015 (being the date on which our latest consolidated financial statements were prepared) and there has been no event since March 31, 2015 which would materially affect the information presented in the Accountants' Report set out in Appendix I in this prospectus.

Acquisitions During and After Track Record Period

Acquisition of CRSC CASCO

With a view to further expanding our urban transit business and benefiting from the market and technology resources of CRSC CASCO, through arm's length negotiation with the then existing shareholder of CRSC CASCO, we acquired an additional 1% equity interest in CRSC CASCO in December 2014, and as a result, our shareholding in CRSC CASCO increased to 51% and we gained control of CRSC CASCO by revising its articles of association. Effective from December 31, 2014, CRSC CASCO became one of our consolidated subsidiaries, whereas before that time it was a joint venture. Accordingly, our consolidated statements of financial position as of December 31, 2014 include the assets, liabilities and equity of CRSC CASCO as of the same date, while our consolidated statements of comprehensive income and consolidated statements of cash flow during the years ended December 31, 2012, 2013 and 2014 do not consolidate the performance result of CRSC CASCO. We recorded our investment income from CRSC CASCO as share of profits of joint ventures under our consolidated statements of comprehensive income based on our then shareholding in CRSC CASCO, which was 50%, in the years ended December 31, 2012, 2013 and 2014. Our financial statements for the three months ended and as of March 31, 2015 have included the results of CRSC CASCO. See Note 38 in the Accountants' Report included in Appendix I in this prospectus.

Incorporated on March 5, 1986 as a limited liability company in the PRC, CRSC CASCO primarily engages in the system design, integration and contracting of, and the manufacturing and sale of communication signal equipment and related ancillary equipment in urban transit sector in China and serves urban transit operation companies of various cities in China. In addition, CRSC CASCO also provides control system products and services to overseas urban transit customers and PRC and overseas railway customers. Its major urban transit technologies include localized CBTC signal system and independent CBTC signal system. CRSC CASCO has cooperated with ALSTOM, the joint venture partner with us who co-invested in CRSC CASCO, and various universities in China in connection with research and technology developments. The acquisition of CRSC CASCO strengthened our competitiveness in urban transit control system sector.

The original holding of the 50% equity interests and the subsequent acquisition of the additional 1% equity interest in CRSC CASCO is considered as business acquisition achieved in stages according to IFRS. Therefore, we remeasured our previously held 50% equity interests in CRSC CASCO at its acquisition-date fair value and recognized a gain of RMB135.2 million resulted therefrom. According to the audited statutory financial statements of CRSC CASCO prepared in accordance with PRC GAAP, which have been further adjusted for the purpose of determining our share of profits in CRSC CASCO in 2014 under IFRS, CRSC CASCO's consolidated total revenue, gross profit and net profit for the year ended December 31, 2014 was RMB1,907.2 million, RMB511.5 million and RMB219.6 million, respectively. For the three months ended March 31, 2015, our revenue that was contributed by CRSC CASCO amounted to RMB481.0 million, representing 10.1% of our total revenue for the same period.

Proposed Acquisition After Track Record Period

Pursuant to, among other things, the shareholder's resolution of Zhengzhou Zhongyuan dated December 25, 2014 and the confirmation letter dated March 14, 2015 entered into by the Company, Henan Zhongyuan and Zhengzhou Zhongyuan, Henan Zhongyuan (the current sole shareholder of Zhengzhou Zhongyuan) approved the Company's proposed acquisition of 65% of the enlarged share capital in Zhengzhou Zhongyuan by way of capital increase. In May 2015, our Company and Henan Zhongyuan entered into a capital contribution agreement, pursuant to which our Company and Henan Zhongyuan agreed to increase the registered share capital of Zhengzhou Zhongyuan to RMB500.0 million with each of our Company and Henan Zhongyuan having contribution of RMB325.0 million and RMB175.0 million, respectively. Upon completion of the Proposed Acquisition, the Company and Henan Zhongyuan will each hold 65% and 35% of the equity interests in Zhengzhou Zhongyuan, respectively. As of the Latest Practicable Date, we have neither made the capital contribution nor acquired control over Zhengzhou Zhongyuan. We will endeavor to close the Proposed Acquisition as soon as possible, but the actual closing will be subject to a variety of uncertainties. We will provide updated information on the latest development of the Proposed Acquisition in our announcements, interim report or annual report after the Listing.

Zhengzhou Zhongyuan's businesses mainly consist of construction of railway projects, construction of municipal engineering projects, and construction of building and mechanical and electrical equipment installation projects, including railway communication and signal projects, railway electrification projects and others. Zhengzhou Zhongyuan's customers are mainly CRC and its affiliated entities and local government agencies. Zhengzhou Zhongyuan possesses the requisite technical qualifications to perform railway power supply and electrification constructions.

Consideration

According to the capital contribution agreement entered into between our Company and Henan Zhongyuan in May 2015, our Company and Henan Zhongyuan agreed to increase the registered share capital of Zhengzhou Zhongyuan to RMB500.0 million with each of our Company and Henan Zhongyuan having a contribution of RMB325.0 million and RMB175.0 million, respectively. We will

pay our capital contribution with a combination of cash, which will be funded by our working capital, and the 100% equity interests in CRSC Changsha Railway held by our Company. The acquisition consideration was determined based on the valuation of Zhengzhou Zhongyuan's net assets as of December 31, 2014.

Reasons for the Acquisition

Zhengzhou Zhongyuan was incorporated on October 26, 2001 as a limited liability company in the PRC. One of the principal businesses of Zhengzhou Zhongyuan is power supply and electrification, which specifically include power transformation and distribution and overhead catenary system. Upon the completion of acquisition of Zhengzhou Zhongyuan, we will be able to perform railway power supply and electrification constructions with the technical qualifications possessed by Zhengzhou Zhongyuan. We consider that the acquisition of Zhengzhou Zhongyuan will strengthen our competitiveness in the power supply and electrification businesses and bring synergies to our overall railway businesses, particularly our integration business.

Our Directors have confirmed that the terms and conditions of the Proposed Acquisition are fair and reasonable and in the interest of our Shareholders as a whole.

Key Financial Data of Zhengzhou Zhongyuan

Given the immateriality of the Proposed Acquisition, among other things, our Company has applied to the Hong Kong Stock Exchange and the Hong Kong Stock Exchange has granted a waiver from strict compliance with the requirements of Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules in relation to the Proposed Acquisition. As an alternative disclosure, we set forth below the key financial data of Zhengzhou Zhongyuan for its last three financial years, which are set forth in the audited financial statements of Zhengzhou Zhongyuan, prepared based on the China Enterprise Accounting Policies, Rail Transportation Enterprise Accounting Methods and related accounting standards and provided by Zhengzhou Zhongyuan to us:

	Year ended December 31/As of December 31		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	300,851	613,988	740,853
Total revenue	299,223	444,542	761,326
Net profit	1,920	898	3,217

Ernst & Young, our Reporting Accountants, have not audited or reviewed the financial statements of Zhengzhou Zhongyuan. Prospective investors shall be aware that adjustments may arise if these financial statements had been audited or reviewed by our Reporting Accountants.

FUTURE PLANS

For a detailed description of our future plans, please refer to the section headed "Business — Development Strategies" in this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$12,226.6 million (assuming an Offer Price of HK$7.15 per H share, being the mid-point of the Offer Price range stated in this prospectus) (equivalent to approximately RMB9,654.1 million), after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering, and assuming no exercise of the Over-allotment Option.

Our Directors intend to apply the net proceeds from the Global Offering for the following purposes:

- approximately HK$3,668.0 million (equivalent to approximately RMB2,896.2 million), representing approximately 30% of the net proceeds from the Global Offering, will be used for long-term R&D, among which, 72% will be used on the R&D investment for railway and urban transit control systems and the establishment of relevant research centers, 15% on the R&D of communication information technology, 7% on the R&D of modern tram technologies and the rest 6% on others; we have launched about 400 R&D projects and have made initial investments in most of them; the total anticipated investment in long-term R&D projects amounts to RMB1,140.0 million and RMB1,500.0 million in 2015 and 2016, respectively;

- approximately HK$2,445.3 million (equivalent to approximately RMB1,930.8 million), representing approximately 20% of the net proceeds from the Global Offering, will mainly be used for fixed asset investments; with the development and re-zoning of the cities where some of our production bases are, we plan to take the opportunity to relocate our current production bases and upgrade our equipment for better product quality assurance, we also plan to further expand our business into fields such as Smart Cities and electronic information, to complement our industry value chain, to fulfill our corporate development strategies and to meet the market demands. Our key production machinery generally has useful lives of approximately eight to ten years. We expect to incur capital expenditure of RMB1,366.6 million and RMB649.1 million in connection with aforementioned projects in 2015 and 2016, respectively; in addition, we have a few pipeline projects in rail transportation equipment and vehicle area, which are still in the preliminary stage at the moment;

- approximately HK$2,445.3 million (equivalent to approximately RMB1,930.8 million), representing approximately 20% of the net proceeds from the Global Offering, will be used for general domestic and overseas acquisitions that, among others, accommodate our business strategies, complement our technologies, strengthen our core value chain as well as widen our marketing channels; in particular, we will focus our efforts in European and North America market;

- approximately HK$2,445.3 million (equivalent to approximately RMB1,930.8 million), representing not more than 20% of the net proceeds from the Global Offering, will be used for investment in rail transportation PPP projects that are in compliance with the government policies; currently, we are focusing on the development of new means of rail transportation and we have entered into framework agreements on modern tram projects that will take place in Leshan, Sichuan Province, Jiaozuo, Henan Province and Tianshui, Gansu Province; and

- approximately HK$1,222.7 million (equivalent to approximately RMB965.4 million), representing not more than 10% of the net proceeds from the Global Offering, will be used to supplement working capital.

If the Offer Price is fixed at HK$8.00 per H Share, being the high-end of the Offer Price range stated in this prospectus and assuming no exercise of the Over-allotment Option, the net proceeds will be increased by approximately HK$1,487.5 million. If the Offer Price is fixed at HK$6.30 per H Share, being the low-end of the Offer Price range stated in this prospectus and assuming no exercise of the Over-allotment Option, the net proceeds will be reduced by approximately HK$1,487.5 million. To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes accordingly.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be (i) HK$2,100.0 million (assuming an Offer Price of HK$8.00 per H Share, being the high-end of the Offer Price range stated in this prospectus), (ii) HK$1,876.9 million (assuming an Offer Price of HK$7.15 per H Share, being the mid-point of the Offer Price range stated in this prospectus), (iii) HK$1,653.8 million (assuming an Offer Price of HK$6.30 per H Share, being the low-end of the Offer Price range stated in this prospectus).

Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purpose accordingly on a pro rata basis in the event that the Over-allotment Option is exercised. If any part of our plan does not proceed as planned for reasons such as changes in government policies that would render any of our plans not viable, or the occurrence of force majeure events, our Directors will carefully evaluate the situation and may reallocate the net proceeds from the

Global Offering. To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, they will be placed in short term demand deposits with banks in Hong Kong or the PRC and/or through money market instruments. We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

As of the Latest Practicable Date, we have not identified any potential acquisition targets or entered into any definitive agreement with any party to acquire any business or entity.

THE CORNERSTONE PLACING

We have entered into cornerstone investor agreements with 16 cornerstone investors (the "Cornerstone Investors") who have agreed to subscribe for such number of our Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$971.10 million (or approximately HK$7,526.36 million).

Assuming an Offer Price of HK$6.30 (being at the low end of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by the Cornerstone Investors would be approximately 1,194,648,000 H Shares, representing approximately (i) 68.27% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 13.65% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 13.26% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK$7.15 (being at the approximate mid-point of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by the Cornerstone Investors would be approximately 1,052,629,000 H Shares, representing approximately (i) 60.15% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 12.03% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 11.68% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK$8.00 (being at the high end of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by the Cornerstone Investors would be approximately 940,782,000 H Shares, representing approximately (i) 53.76% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 10.75% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 10.44% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

Each of the Cornerstone Investors is an Independent Third Party and is not our connected person. The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid H Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors will have any representation on the Board or becomes a substantial Shareholder of our Company upon completion of the Global Offering and will not subscribe for any Offer Shares under the Global Offering other than pursuant to the cornerstone investor agreements referred to below.

The Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by us on or around 6 August 2015.

OUR CORNERSTONE INVESTORS

We set out below a brief description of our Cornerstone Investors:

China Railway Group Investment (Hong Kong) Limited

China Railway Group Investment (Hong Kong) Limited ("**China Railway Investment**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$100 million at the Offer Price. Assuming the Offer Price of HK$6.30, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that China Railway Investment would subscribe for would be 123,021,000, representing approximately 1.41% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$7.15, being the approximate mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that China Railway Investment would subscribe for would be 108,396,000, representing approximately 1.24% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$8.00, being the high end of the Offer Price range set out in this prospectus, the total number of H Shares that China Railway Investment would subscribe for would be 96,879,000, representing approximately 1.11% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

China Railway Investment was established on October 15, 2012 in Hong Kong and is an oversea investment platform incorporated by China Railway Group Limited ("**China Railway Group**") who is also its controlling shareholder and holds 70% equity interest. The history of China Railway Group can be traced back to the Construction Bureau and the Design Bureau of the Ministry of Railways established in 1950. China Railway Group is a multi-functional super-large integrated construction group that encompasses comprehensive survey and design, infrastructure construction, property development, engineering equipment and component manufacturing, consulting services, project supervision, capital operation, finance and trust, resources development, foreign economy and trade. China Railway Group held its initial public offering (IPO) in December 2007 on both Hong Kong Stock Exchange (stock code: 0390) and Shanghai Stock Exchange (stock code: 601390).

Guangdong Finance Investment International Co., Ltd

Guangdong Finance Investment International Co., Ltd ("**GFI**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may

be purchased with an aggregate amount of US$100 million at the Offer Price. Assuming the Offer Price of HK$6.30, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that GFI would subscribe for would be 123,021,000, representing approximately 1.41% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$7.15, being the approximate mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that GFI would subscribe for would be 108,396,000, representing approximately 1.24% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$8.00, being the high end of the Offer Price range set out in this prospectus, the total number of H Shares that GFI would subscribe for would be 96,879,000, representing approximately 1.11% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

GFI is a company incorporated in Hong Kong and is a wholly owned overseas subsidiary of Guangdong Finance Investment Holding Ltd ("**GFIH**"). GFI serves as the overseas investment and financing platform, money management platform, and offshore financial platform for GFIH. GFI focuses its main business on the areas of securities and equity investment, management of industry M&A fund and equity investment fund, management of government project investment and financing, asset management etc. GFI also takes the role as an agent for the Guangdong provincial government to develop the overseas investment and financing business. GFIH is the only provincial financial holding platform affiliated with the Guangdong provincial government and is registered in Guangzhou. It provides customers with multi financial instruments such as trust investment, financial guarantee, asset management, financial leasing, fund management etc.

Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited

Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited ("**Shanghai Zhenhua**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$100 million at the Offer Price. Assuming the Offer Price of HK$6.30, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Shanghai Zhenhua would subscribe for would be 123,021,000, representing approximately 1.41% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$7.15, being the approximate mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Shanghai Zhenhua would subscribe for would be 108,396,000, representing approximately 1.24% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$8.00, being the high end of the Offer Price range set out in this prospectus, the total number of H Shares that Shanghai Zhenhua would subscribe for would be 96,879,000, representing approximately 1.11% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

Shanghai Zhenhua is a company incorporated in Hong Kong whose businesses include international trading, international marine transportation and overseas investment. Shanghai Zhenhua is a wholly owned subsidiary of Shanghai Zhenhua Heavy Industries Co., Ltd. (a state-owned enterprise), a company listed on the Shanghai Stock Exchange (stock code: 600320, 900947), in which China Communications Construction Company Ltd. holds approximately 46% equity interest. Headquartered in Shanghai, Shanghai Zhenhua Heavy Industries Co., Ltd. is one of the largest heavy-duty equipment manufacturers in the world.

China Shipping (Hong Kong) Holdings Co., Limited

China Shipping (Hong Kong) Holdings Co., Limited ("**China Shipping HK**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$100 million at the Offer Price. Assuming the Offer Price of HK$6.30, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that China Shipping HK would subscribe for would be 123,021,000, representing approximately 1.41% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$7.15, being the approximate mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that China Shipping HK would subscribe for would be 108,396,000, representing approximately 1.24% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$8.00, being the high end of the Offer Price range set out in this prospectus, the total number of H Shares that China Shipping HK would subscribe for would be 96,879,000, representing approximately 1.11% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

China Shipping HK is a company incorporated with limited liability in Hong Kong. China Shipping HK is a wholly-owned subsidiary of China Shipping (Group) Company ("**China Shipping**"), and is China Shipping's planning, investment and financing, operation, management and service center in Hong Kong, South Korea, Japan and Australia. China Shipping is one of the state-owned enterprises under the direct administration of SASAC and is a shipping conglomerate that operates across different regions, sectors and countries. China Shipping also operates a fleet of special cargo vessels, a fleet of passenger vessels and the businesses of integrated logistics, terminal management, finance and investment, engineering and labor services, supply and trading, and information technology.

Genertec Hong Kong International Capital Ltd.

Genertec Hong Kong International Capital Ltd. ("**Genertec Capital**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$80 million at the Offer Price. Assuming the Offer Price of HK$6.30, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Genertec Capital would subscribe for would be 98,417,000, representing

approximately 1.12% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$7.15, being the approximate mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Genertec Capital would subscribe for would be 86,717,000, representing approximately 0.99% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$8.00, being the high end of the Offer Price range set out in this prospectus, the total number of H Shares that Genertec Capital would subscribe for would be 77,503,000, representing approximately 0.89% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

Genertec Capital was incorporated in Hong Kong whose businesses include trading of marketable securities and acting as a property and investment holdings company. It is controlled by China General Technology (Group) Holding Co., Ltd. ("**Genertec**"). Genertec was founded in 1998 and is a state-owned enterprise directly administered by the PRC central government. Genertec specializes in five main business segments, including equipment manufacturing, trade and engineering contracting, pharmaceutical industry, technical services and consultancy as well as construction and real estate.

Beijing Infrastructure Investment (Hong Kong) Limited

Beijing Infrastructure Investment (Hong Kong) Limited ("**BII HK**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$60 million at the Offer Price. Assuming the Offer Price of HK$6.30, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that BII HK would subscribe for would be 73,813,000, representing approximately 0.84% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$7.15, being the approximate mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that BII HK would subscribe for would be 65,038,000, representing approximately 0.74% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$8.00, being the high end of the Offer Price range set out in this prospectus, the total number of H Shares that BII HK would subscribe for would be 58,127,000, representing approximately 0.66% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

BII HK is a company incorporated in Hong Kong and is a wholly owned subsidiary of Beijing Infrastructure Investment Co., Ltd. ("**BII**"). BII is a state-owned company solely funded by Beijing State-owned Assets Supervision and Administration Commission. BII engages in the pre-planning, investment, financing, capital management and development of infrastructure projects, such as urban rail transit projects in Beijing. BII is an influential investment and financing company in Beijing.

China Life Insurance Company Limited

China Life Insurance Company Limited ("**China Life**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be

purchased with an aggregate amount of US$50 million at the Offer Price. Assuming the Offer Price of HK$6.30, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that China Life would subscribe for would be 61,510,000, representing approximately 0.70% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$7.15, being the approximate mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that China Life would subscribe for would be 54,198,000, representing approximately 0.62% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$8.00, being the high end of the Offer Price range set out in this prospectus, the total number of H Shares that China Life would subscribe for would be 48,439,000, representing approximately 0.55% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

China Life is listed on the Stock Exchange (stock code: 2628) and is the largest life insurance company in the PRC. It is headquartered in Beijing, with a registered capital of RMB28,265 million as of the December 31, 2014. As at December 31, 2014, its total assets amounted to RMB2,246,567 million. Its ultimate controlling shareholder is China Life Insurance (Group) Company. China Life has a market share of approximately 26.1% in 2014, maintaining a leading position in the life insurance market.

Guangzhou Xinhua Urban Development Industry Investment Enterprise (Limited Partnership)

Guangzhou Xinhua Urban Development Industry Investment Enterprise (Limited Partnership) ("**Guangzhou Fund**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$50 million at the Offer Price. Assuming the Offer Price of HK$6.30, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Guangzhou Fund would subscribe for would be 61,510,000, representing approximately 0.70% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$7.15, being the approximate mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Guangzhou Fund would subscribe for would be 54,198,000, representing approximately 0.62% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$8.00, being the high end of the Offer Price range set out in this prospectus, the total number of H Shares that Guangzhou Fund would subscribe for would be 48,439,000, representing approximately 0.55% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

Guangzhou Fund is a private equity investment fund which is managed by Guangzhou Chengfa Capital Company Limited ("**CF Capital**"). CF Capital is a subsidiary of Guangzhou Industrial Investment Fund Management Co., Ltd., and focuses on infrastructure, industrials, high-tech, energy, urban re-development and other related investments. Guangzhou Fund focuses on infrastructure, industrials, and related investment advisory and management. Other than the partial funds contribution

by New China Life Insurance Company Ltd., Guangzhou Fund's investment committee and final investment decisions are independent of New China Life Insurance Company Ltd. Guangzhou Fund has agreed to cause an asset manager that is a qualified domestic institutional investor to subscribe on its behalf at the Offer Price for such number of Offer Shares.

Pingan-UOB Wealthtone Asset Management Company Limited

Pingan-UOB Wealthtone Asset Management Company Limited ("**Pingan UOB Wealthtone**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$50 million at the Offer Price. Assuming the Offer Price of HK$6.30, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Pingan UOB Wealthtone would subscribe for would be 61,510,000, representing approximately 0.70% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$7.15, being the approximate mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Pingan UOB Wealthtone would subscribe for would be 54,198,000, representing approximately 0.62% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$8.00, being the high end of the Offer Price range set out in this prospectus, the total number of H Shares that Pingan UOB Wealthtone would subscribe for would be 48,439,000, representing approximately 0.55% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

Pingan UOB Wealthtone is a wholly owned subsidiary of Ping An UOB Fund Management Company Limited ("**Ping An UOB FMC**"). Ping An UOB FMC is a fund management company incorporated in People's Republic of China in 2011. Ping An UOB FMC's investment objective is to achieve a consistent long term performance mainly through active allocation by sector following a thorough analysis of the macroeconomic and stock market structural trends and cycles. As of 31 December 2014, Ping An UOB FMC has RMB 284 billion of assets under management, this is a 171% increase over 31 December 2013. Ping An UOB FMC is a joint venture set up by UOB Asset Management, Ping An Trust Co., Ltd. and Sanya Yingwan Tourism Co., Ltd.

Heywin Investments Limited

Heywin Investments Limited ("**Heywin**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$50 million at the Offer Price. Assuming the Offer Price of HK$6.30, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Heywin would subscribe for would be 61,510,000, representing approximately 0.70% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$7.15, being the approximate mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Heywin would subscribe for would be 54,198,000, representing approximately 0.62% of the Shares in issue immediately following

completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$8.00, being the high end of the Offer Price range set out in this prospectus, the total number of H Shares that Heywin would subscribe for would be 48,439,000, representing approximately 0.55% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

Heywin, being a wholly-owned subsidiary of TCL Corporation, is an investment company incorporated in the British Virgin Islands with limited liability. TCL Corporation is a company established under the laws of the PRC and its shares were listed on the Shenzhen Stock Exchange (stock code: 000100) on January 30, 2004. Founded in 1981, TCL Corporation is one of the largest consumer electronics conglomerates in China with a global presence.

Zhongchuan Investment & Development Co., Ltd

Zhongchuan Investment & Development Co., Ltd ("**Zhongchuan**") has agreed to subscribe through China Industrial International Trust Limited, a qualified domestic institutional investor as asset manager, or to procure such asset manager to subscribe on its behalf, for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of HK$400 million (inclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming the Offer Price of HK$6.30, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Zhongchuan would subscribe for would be 62,858,000, representing approximately 0.72% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$7.15, being the approximate mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Zhongchuan would subscribe for would be 55,385,000, representing approximately 0.63% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$8.00, being the high end of the Offer Price range set out in this prospectus, the total number of H Shares that Zhongchuan would subscribe for would be 49,501,000, representing approximately 0.57% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

Zhongchuan, being a wholly-owned subsidiary of China State Shipbuilding Corporation, is an investment company incorporated in China. It specializes in investments in the high-technology industry, industrial investment, and asset management. As of June 30, 2015, its total assets were approximately RMB18 billion. China State Shipbuilding Corporation, established in 1999 in China, is a large conglomerate specialized in shipbuilding and directly administered by the central government of China.

CMI Financial Holding Corporation

CMI Financial Holding Corporation ("**CMI**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with

an aggregate amount of US$ 50 million at the Offer Price. Assuming the Offer Price of HK$6.30, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that CMI would subscribe for would be 61,510,000, representing approximately 0.70% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$7.15, being the approximate mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that CMI would subscribe for would be 54,198,000, representing approximately 0.62% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$8.00, being the high end of the Offer Price range set out in this prospectus, the total number of H Shares that CMI would subscribe for would be 48,439,000, representing approximately 0.55% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

CMI is incorporated in the BVI and is an indirect wholly owned subsidiary of China Minsheng Investment Corp. Limited. China Minsheng Investment Corp. Limited is a large private investment company organized by All-China Federation of Industry and Commerce and launched by 59 well-known private enterprises from throughout China.

China Merchants Bank Corporation Limited Asset Management

China Merchants Bank Corporation Limited Asset Management ("**CMB Asset**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$50 million at the Offer Price. Assuming the Offer Price of HK$6.30, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that CMB Asset would subscribe for would be 61,510,000, representing approximately 0.70% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$7.15, being the approximate mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that CMB Asset would subscribe for would be 54,198,000, representing approximately 0.62% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$8.00, being the high end of the Offer Price range set out in this prospectus, the total number of H Shares that CMB Asset would subscribe for would be 48,439,000, representing approximately 0.55% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

CMB Asset is a department of China Merchants Bank Co., Ltd. ("**CMB**") (3968.HK, 600036.SH), a company incorporated in PRC. CMB's ultimate shareholder is China Merchants Group Ltd.. CMB Asset is mainly responsible for the overall investment operations of asset management businesses, research and development of relevant products and service systems, business risk management, and business operations support within the CMB group. China Merchants Group Ltd. operates as an investment holding company and specializes in three core business sectors: transportation and related

infrastructure; financial investment and asset management; and property development and management. CMB Asset is a discretional fund and holds money for Independent Third Parties, and CMB Assets normally involved in making investment decisions for the benefit of such Independent Third Parties in its ordinary course of business.

Paragraph 5(1) of Appendix 6 to the Listing Rules states that, without the prior written consent of the Stock Exchange, no allocation will be permitted to "connected clients" of the lead broker or of any distributors. Paragraph 13(7) of the Placing Guidelines states that "connected clients" in relation to an exchange participant means any client of such member who is a company which is a member of the same group of companies as such exchange participant. CMB Asset constitutes a "connected client" of CMB International Capital Limited, one of the Joint Bookrunners and Joint Lead Managers to the Listing under the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit the Company to allocate H Shares to CMB Asset as a cornerstone investor subject to the following conditions: (i) the H Shares to be allocated to CMB Asset are to be held on behalf of Independent Third Parties; (ii) the Company, the Joint Sponsors and the Joint Bookrunners confirm to the Stock Exchange that the material terms of the cornerstone investment agreement with CMB Asset will be substantially the same as the agreements with other cornerstone investors participating in the Listing; (iii) CMB International Capital Limited has also confirmed with the Joint Sponsors that the material terms of the cornerstone investment agreement with CMB Asset will be substantially the same as the agreements with other cornerstone investors participating in the Listing; (iv) the Company, the Joint Sponsors and the Joint Bookrunners confirm that, CMB International Capital Limited has not participated in and it will not participate in the decision-making process of relevant discussion with the Company and other bookrunners and underwriters as to whether CMB Asset will be selected as a cornerstone investor; (v) save for the cornerstone investment, CMB Asset will not be given any further allocation in the placing tranche of the Global Offering; (vi) the Company, the Joint Sponsors and the Joint Bookrunners confirm that, there will be no preferential allocation of H Shares to CMB Asset compared with other cornerstone investors; and (vii) the background of the CMB Asset and details of the allocation to CMB Asset, including its name and relationship with CMB International Capital Limited, number and percentage of H Shares allocated to it and lock-up arrangement, will be disclosed in this prospectus and the allotment result announcement to be published by the Company.

CSR (Hong Kong) Co. Limited

CSR (Hong Kong) Co. Limited ("**CSR HK**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$30 million at the Offer Price. Assuming the Offer Price of HK$6.30, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that CSR HK would subscribe for would be 36,906,000, representing approximately 0.42% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$7.15, being the approximate mid-point of the Offer

Price range set out in this prospectus, the total number of H Shares that CSR HK would subscribe for would be 32,519,000, representing approximately 0.37% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$8.00, being the high end of the Offer Price range set out in this prospectus, the total number of H Shares that CSR HK would subscribe for would be 29,063,000, representing approximately 0.33% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

CSR HK is a company incorporated in Hong Kong, which is wholly owned and controlled by CRRC Corporation Limited, a joint stock limited company incorporated in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 601766) and the Hong Kong Stock Exchange (stock code: 1766). CSR HK's principal activities include marketing, sales of products, trading, after-sales services and capital management. CRRC Corporation Limited is one of the largest rolling stock suppliers in the world. It supplies rolling stock products in series including high speed multiple units, high-powered electric locomotives, transit vehicles, heavy haul freight trains and high-end passenger carriages, and is also engaged in systematic and comprehensive research, development and manufacturing and other extended businesses.

China Construction Investment Co., Ltd (Shanghai)

China Construction Investment Co., Ltd (Shanghai) ("**CCI(Shanghai)**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$30 million at the Offer Price. Assuming the Offer Price of HK$6.30, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that CCI(Shanghai) would subscribe for would be 36,906,000, representing approximately 0.42% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$7.15, being the approximate mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that CCI(Shanghai) would subscribe for would be 32,519,000, representing approximately 0.37% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$8.00, being the high end of the Offer Price range set out in this prospectus, the total number of H Shares that CCI(Shanghai) would subscribe for would be 29,063,000, representing approximately 0.33% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

CCI(Shanghai), a company incorporated in the PRC, is a wholly-owned subsidiary of China Construction Technology Consulting Co., Ltd ("**CCTC**"), which is a large-scale state-owned enterprise owned by SASAC of State Council. CCI (Shanghai)'s principal activities include, among others, industrial investment, equity investment and asset management. CCTC's principal activities include survey, design, service and construction contracting for construction and municipal engineering.

Hengjian International Investment Holding (Hong Kong) Limited

Hengjian International Investment Holding (Hong Kong) Limited ("**Hengjian International**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$20 million at the Offer Price. Assuming the Offer Price of HK$6.30, being the low end of the Offer Price range set out in this prospectus, the total number of H Shares that Hengjian International would subscribe for would be 24,604,000, representing approximately 0.28% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$7.15, being the approximate mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Hengjian International would subscribe for would be 21,679,000, representing approximately 0.25% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. Assuming the Offer Price of HK$8.00, being the high end of the Offer Price range set out in this prospectus, the total number of H Shares that Hengjian International would subscribe for would be 19,375,000, representing approximately 0.22% of the Shares in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised.

Hengjian International, a company incorporated in Hong Kong, is wholly-owned by Guangdong Hengjian Investment Holding Co., Ltd ("**GD Hengjian**") as its only overseas investment vehicle. GD Hengjian is a solely state-owned enterprise established by the Guangdong State-owned Assets Supervision and Administration Commission in 2007, with the support of the People's Government of Guangdong Province. GD Hengjian undertakes four major functionalities including fundraising, investment, assets management and capital deployment in respect of assets held by the People's Government of Guangdong province.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional and not having been terminated (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements;

(b) the Listing Committee having granted the listing of, and permission to deal in, the H Shares and that such approval or permission not having been revoked prior to the commencement of dealings in the H Shares;

(c) no relevant laws or regulations shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or in the cornerstone investment agreements, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(d) the respective representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor under the relevant cornerstone investment agreement are accurate and true in all respects and not misleading and that there is no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF H SHARES BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that without the prior written consent of the Company and the relevant Joint Bookrunner(s) and Joint Global Coordinator(s), it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), dispose of any of the H Shares they have purchased pursuant to the relevant cornerstone investor agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

HONG KONG UNDERWRITERS

Citigroup Global Markets Asia Limited
Morgan Stanley Asia Limited
UBS AG Hong Kong Branch
Macquarie Capital Securities Limited
BOCI Asia Limited
Goldman Sachs (Asia) L.L.C.
China Merchants Securities (HK) Co., Limited
CMB International Capital Limited
Haitong International Securities Company Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between our Company, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters, the Global Offering will not proceed and will lapse. The Global Offering comprises the Hong Kong Public Offering of initially 87,500,000 Hong Kong Public Offer Shares and the International Offering of initially 1,662,500,000 International Offer Shares, subject in each case, to reallocation on the basis as described in the section "Structure of the Global Offering" as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on July 27, 2015. Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Public Offer Shares for subscription by the public in Hong Kong on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (i) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued/converted into pursuant to the Global Offering on the Main Board of the Stock Exchange and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and us agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If any of the events set out below occurs at any time prior to 8:00 a.m. on the day that trading in the H Shares commences on the Stock Exchange:

there develops, occurs, exists or comes into force:

(a) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Singapore, the United States, the United Kingdom, the European Union (or any member thereof) or Japan (each a "**Relevant Jurisdiction**"); or

(b) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a change of the Hong Kong dollars or a change of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or

(c) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, outbreak of diseases or epidemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome (MERS) and such related/mutated forms, economic sanction, in whatever form) in or directly or indirectly affecting any Relevant Jurisdiction; or

(d) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or

(e) any moratorium, suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange; or

(f) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Governmental Authority), New York (imposed at Federal or New York State level or other competent Governmental Authority), London, Singapore, the PRC, the European Union (or any member thereof), Japan or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any Relevant Jurisdiction; or

(g) any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations, or (B) any change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or

(h) the issue or requirement to issue by the Company of a supplement or amendment in this Prospectus, Application Forms, preliminary offering circular or final offering circular or other documents in connection with the offer and sale of the H Shares pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provision) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC, in circumstances where the matter to be disclosed could, in the opinion of the Joint Global Coordinators, adversely affect the marketing for or implementation of the Global Offering; or

(i) any of the risks or the materialization of any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(j) any litigation or claim being threatened or instigated against any member of the Group or any Director; or

(k) an governmental authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action or proceedings, or announcing an intention to investigate or take other action or proceedings, against any member of the Group or any Director; or

(l) either of the chairman or president of the Company vacating his office, any executive Director being charged with an indictable offence or prohibited by operation of laws or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any Director in his or her capacity as such or an announcement by any governmental, political, regulatory body that it intends to take any such action; or

(m) any adverse change or prospective adverse change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of any member of the Group (including any litigation or claim of any third party being threatened or instigated against any member of the Group); or

(n) any demand by creditors for repayment of indebtedness or a petition being presented for the winding-up or liquidation of any member of the Group or any member of the Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(o) a prohibition on the Company for whatever reason from allotting or selling the H Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or

(p) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction on any member of the Group;

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Joint Bookrunners and the Hong Kong Underwriters): (A) is or will be or may be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations, position or condition (financial, trading or otherwise), or prospects of the Company or the Group as a whole or to any present or prospective shareholder of the Company in its capacity as such; or (B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or will make or may make it inexpedient or impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (C) makes or will make or may make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this Prospectus, the Application Forms, the formal notice, the preliminary offering circular or the offering circular; or (D) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(a) that any statement contained in the Hong Kong public offering documents, the PHIP and/or any notices, announcements, advertisements, communications issued or approved by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect or misleading or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong public offering documents, the PHIP and/or any notices, announcements, advertisements, communications so issued or approved are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

(b) any contravention by any member of the Group of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the PRC Company Law or the Listing Rules; or

(c) non-compliance of this Prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

(d) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, not having been disclosed in this Prospectus, constitutes an omission therefrom; or

(e) either (i) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Company or (ii) any of the representations, warranties and undertakings given by the Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading; or

(f) any of the reporting accountants, or any of the counsel of the Company or any other expert as set out in this Prospectus has withdrawn its respective consent to the issue of this Prospectus with the inclusion of its reports, letters and/or opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(g) any event, act or omission which gives or is likely to give rise to any liability of the Company pursuant to the indemnities given by the Company under the Hong Kong Underwriting Agreement which liability has an adverse effect on the business or financial or trading position of the Company and its subsidiaries, as a whole; or

(h) any litigation or dispute or potential litigation or dispute, which would materially and adversely affect the operation, financial condition or reputation of the Company; or

(i) any breach of any of the obligations of the Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(j) any breach of, or any event rendering any of the representations, warranties and undertakings given by the Company as set out in schedule 3 of the Hong Kong Underwriting Agreement untrue or incorrect or misleading in any material respect; or

(k) any adverse change or prospective adverse change or development in the assets, business, general affairs, management, shareholder's equity, profits, losses, properties, results of operations, in the position or condition (financial, trading or otherwise) or prospects of the Company and its subsidiaries, as a whole; or

(l) the admission is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(m) the Company has withdrawn this Prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering,

then the Joint Global Coordinators may (for themselves and on behalf of the Joint Bookrunners and the Hong Kong Underwriters), in their sole and absolute discretion and upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) *Undertakings by the Company*

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not issue any further H Shares or other securities convertible into equity securities of the Company (whether or not of a class already listed) or enter into any agreement or arrangement to such issue within six months from the Listing Date (whether or not such issue of H Shares or such other securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) *Undertakings by the Controlling Shareholder*

Pursuant to Rule 10.07 of the Listing Rules, the Controlling Shareholder has undertaken to the Stock Exchange and to the Company that it will not and will procure that the relevant registered holder(s) will not:

(i) in the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the H Shares commence on the Stock Exchange (the "**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any share of the Company directly or indirectly beneficially owned by us (except for the shares to be transferred to NSSF as required by relevant PRC laws, regulations or rules); or

(ii) in the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any shares of the Company directly or indirectly beneficially owned by us, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be the Controlling Shareholder of the Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, the Controlling Shareholder has undertaken to the Stock Exchange and to the Company that, within the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the H Shares commence on the Stock Exchange, it will:

(a) when it pledges and/or charges any shares or other securities of the Company beneficially owned by it directly or indirectly in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge and/or charge together with the number of Shares so pledged and/or charged; and

(b) when it receives indications, either verbal or written, from the pledgee and/or chargee that any of the pledged and/or charged shares will be disposed of, immediately inform the Company of such indications.

We will also, as soon as we have been informed of the above matters (if any) by the Controlling Shareholder, inform the Stock Exchange and disclose such matters as soon as possible by way of an announcement to be published as required under the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

The Company has undertaken to each of, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters (and are expected to undertake to the International Underwriters) that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time during the First Six-Month Period, the Company will not without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Joint Bookrunners and the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any share capital or other securities of the Company, as applicable); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of Shares or any other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares or other securities of such other member of the Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction described in clause (a) or (b) above; or

(d) offer to or agree to do any of the foregoing or announce any intention to do so;

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not the issue of such share capital or other securities will be completed within the First Six Month Period). The Company further agrees that, in the event the Company enters into any of the transactions described in clauses (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction during the Second Six-Month Period, it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of the Company will, create a disorderly or false market for any Shares or other securities of the Company.

Hong Kong Underwriters' Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and save as disclosed in this prospectus, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested legally or beneficially, directly or indirectly, in any H Shares or other securities of the Company or any other member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any H Shares or other securities of the Company or any other member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company expects to enter into the International Underwriting Agreement with the Joint Bookrunners and the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option being exercised, the International Underwriters or their respective affiliates would, subject to certain conditions set out therein, severally agree to procure purchasers for, or to purchase, Offer Shares being offered pursuant to the International Offering (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See "Structure of the Global Offering—The International Offering" for further details.

Over-allotment Option

We expect to grant to the Joint Bookrunners and the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the Joint Bookrunners and the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require us to offer up to an aggregate of 262,500,000 H Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to cover over-allocations in the International Offering, if any.

Commissions and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 1.7% of the aggregate Offer Price of the Hong Kong Public Offer Shares, out of which they will pay any sub-underwriting commission. For any unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the Joint Bookrunners and the relevant International Underwriters.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to amount in aggregate to approximately HK$285.9 million (assuming an Offer Price of HK$7.15 per Offer Share (which is the mid-point of the indicative Offer Price range), the Over-allotment Option is not exercised and the full payment of a discretionary incentive fee), are payable and borne by the Company.

Indemnity

The Company has agreed to indemnify the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and each of their respective affiliate and delegates, as well as their directors, officers, employees, assignees and agents for certain losses which they may suffer or incur, including liabilities under the U.S. Securities Act, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering." Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of initially 87,500,000 H Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the section "The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of 1,662,500,000 H Shares (subject to adjustment and the Over-allotment Option as mentioned below) (a) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in accordance with Regulation S and (b) in the United States to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, as described in "The International Offering" below.

Investors may either:

(i) apply for Hong Kong Public Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

Our Company has obtained the requisite PRC governmental approvals, including the approval of the CSRC, in respect of the Global Offering.

The Offer Shares will represent approximately 20.00% of the issued share capital of the Company immediately following the completion of the Global Offering, assuming no exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 22.33% of the issued share capital of the Company immediately following the completion of the Global Offering.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 87,500,000 H Shares for subscription by the public in Hong Kong at the Offer Price, representing 5.00% of the total number of Offer Shares initially available under the Global Offering. The number of H Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 1.00% of the issued share capital of the Company immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the section "Conditions of the Global Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

For allocation purposes only, the total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A (43,750,000 Offer Shares) and pool B (43,750,000 Offer Shares) with any odd board lots being allocated to pool A. The Hong Kong Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Public Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Public Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 43,750,000 Hong Kong Public Offer Shares (being 50% of the 87,500,000 Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. We have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules to the effect as further described below:

- 87,500,000 Offer Shares available in the Hong Kong Public Offering, representing 5% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 131,250,000 Offer Shares, representing 7.5% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 175,000,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 350,000,000 Offer Shares, representing 20% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators and the Joint Sponsors deem appropriate. In addition, the Joint Global Coordinators and the Joint Sponsors may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators and the Joint Sponsors have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is breached and/or untrue (as the case may be) or if it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the H Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$8.00 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$8,080.62 for one board lot of 1,000 H Shares. If the Offer Price, as finally determined in the manner described in the section "Pricing and Allocation" below, is less than the maximum Offer Price of HK$8.00 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for the Hong Kong Public Offer Shares."

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

The International Offering will consist of an offering of initially 1,662,500,000 H Shares, representing 95.00% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares, and/or hold or sell its H Shares, after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Joint Bookrunners and the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allotment of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in the section "The Hong Kong Public Offering—Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the Joint Bookrunners and the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the Joint Bookrunners and the International Underwriters).

Pursuant to the Over-allotment Option, the Joint Bookrunners and the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the Joint Bookrunners and the International Underwriters) from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to offer up to an aggregate of 262,500,000 H Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among others, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional International Offer Shares to be offered pursuant thereto will represent approximately 3.00% of the issued share capital of the Company immediately following the completion of the Global Offering. The Joint Global Coordinators may also cover such over-allocations by purchasing H Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, as stabilizing manager, on behalf of the Joint Bookrunners and the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option.

The Stabilizing Manager may close out any covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of our H Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it, to conduct any such stabilizing action. Such stabilizing action, if taken: (i) will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and in what the Stabilizing Manager reasonably regards as the best interest of the Company; (ii) may be discontinued at any time; and (iii) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (ii) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (iii) purchasing, or agreeing to purchase, the H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares, (v) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Stabilizing actions by the Stabilizing Manager, its affiliates or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the H Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of the H Shares;

- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Sunday, August 30, 2015, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;

- the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it may cover such over-allocations by, among others, exercising the Over-allotment Option in full or in part, by using H Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price, or a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of H Shares which can be over-allocated will not exceed the number of H Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 262,500,000 H Shares, representing 15.00% of the Offer Shares initially available under the Global Offering.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Friday, July 31, 2015 and, in any event, no later than Monday, August 3, 2015, by agreement between the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$8.00 per Offer Share and is expected to be not less than HK$6.30 per Offer Share unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK$8.00 per Offer Share plus brokerage of 1.00%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$8,080.62 for one board lot of 1,000 H Shares. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The Joint Bookrunners and the International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators, on behalf of the Joint Bookrunners and the Underwriters, may, where they deem appropriate, based on the level of interest expressed by prospective investors and institutional investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (**www.crsc.cn**) and the website of the Stock Exchange (**www.hkexnews.hk**) notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators, the Joint Bookrunners and the Underwriters and the Company, will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in this prospectus and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators, the Joint Bookrunners and the Underwriters and the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators and the Joint Sponsors may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 5% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Bookrunners.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Public Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in "How to Apply for the Hong Kong Public Offer Shares—Publication of Results."

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to the Company, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in the section "Underwriting."

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on, among other things:

(i) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued/converted into pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(ii) the Offer Price having been duly agreed between the Company, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters;

(iii) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Company, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters on or before Monday, August 3, 2015, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among others, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.crsc.cn** on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "How to Apply for the Hong Kong Public Offer Shares—Despatch/Collection of H Share Certificates and Refund Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates issued in respect of the Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects and the right of termination described in "Underwriting" has not been exercised at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the H Shares to be issued/converted into pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, August 7, 2015, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, August 7, 2015.

The H Shares will be traded in board lots of 1,000 H Shares each and the stock code of the H Shares will be 3969.

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the White Form eIPO service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director, a Supervisor or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, July 28, 2015 to 12:00 noon on Friday, July 31, 2015 from:

(i) any of the following offices of the Hong Kong Underwriters:

Citigroup Global Markets Asia Limited
50th Floor, Citibank Tower
3 Garden Road, Central
Hong Kong

Morgan Stanley Asia Limited
Level 46, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Macquarie Capital Securities Limited
Level 18, One International Finance Centre
1 Harbour View Street
Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Centre
2 Queen's Road Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48th Floor, One Exchange Square
Central
Hong Kong

CMB International Capital Limited
Units 1803-4, 18/F, Bank of America Tower
12 Harcourt Road
Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

(ii) any of the following branches of the receiving banks:

Bank of China (Hong Kong) Limited

	Branch	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Central District (Wing On House) Branch	71 Des Voeux Road Central
	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai
	Lee Chung Street Branch	29-31 Lee Chung Street, Chai Wan
Kowloon	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Telford Gardens Branch	Shop P2 Telford Gardens, Kowloon Bay
	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong
New Territories.	Citywalk Branch	Shop 65, G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan
	Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun

Wing Lung Bank Limited

	Branch	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
	North Point Branch	361 King's Road
Kowloon	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
New Territories	Yuen Long Branch	37 On Ning Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, July 28, 2015 until 12:00 noon on Friday, July 31, 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE or YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — CRSC Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Tuesday, July 28, 2015 — 9:00 a.m. to 5:00 p.m.
- Wednesday, July 29, 2015 — 9:00 a.m. to 5:00 p.m.
- Thursday, July 30, 2015 — 9:00 a.m. to 5:00 p.m.
- Friday, July 31, 2015 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, July 31, 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement in this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Underwriters nor any of

their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company and/or its agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the H Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application to the **White Form eIPO** service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, July 28, 2015 until 11:30 a.m. on Friday, July 31, 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, July 31, 2015 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of White Form eIPO service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$ 2 for each "China Railway Signal & Communication Corporation Limited" **White Form eIPO** application submitted via the website to support the funding of "Source of Dong Jiang—Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System ***(https://ip.ccass.com)*** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant stock account;
- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement in this prospectus;

- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Public Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

- agree with the Company, for itself and for the benefit of each shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders; and

- authorize the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 1,000 Hong Kong Public Offer Shares. Instructions for more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Tuesday, July 28, 2015 — 9:00 a.m. to 8:30 p.m.(1)
- Wednesday, July 29, 2015 — 8:00 a.m. to 8:30 p.m.(1)
- Thursday, July 30, 2015 — 8:00 a.m. to 8:30 p.m.(1)
- Friday, July 31, 2015 — 8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, July 28, 2015 until 12:00 noon on Friday, July 31, 2015 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, July 31, 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving bankers, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **White Form eIPO** service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, July 31, 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE and YELLOW** Application Forms have tables showing the exact amount payable for H Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for H Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering—Pricing and Allocation."

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, July 31, 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, July 31, 2015 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable," an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Thursday, August 6, 2015 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at **www.crsc.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.crsc.cn** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, August 6, 2015;
- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, August 6, 2015 to 12:00 midnight on Wednesday, August 12, 2015;
- by telephone enquiry line by calling 2862-8669 between 9:00 a.m. and 10:00 p.m. from Thursday, August 6, 2015 to Sunday, August 9, 2015;

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, August 6, 2015 to Saturday, August 8, 2015 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or through **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement in this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Hong Kong Public Offer Shares is void:**

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe(s) that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$8.00 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering—Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, August 6, 2015.

14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on Thursday, August 6, 2015. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Friday, August 7, 2015 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) **If you apply using a WHITE Application Form**

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, August 6, 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on Thursday, August 6, 2015, by ordinary post and at your own risk.

(ii) **If you apply using a YELLOW Application Form**

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, August 6, 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, August 6, 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

  For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, August 6, 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) **If you apply through the White Form eIPO Service**

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, August 6, 2015, or such other date as notified by the Company in the newspapers as the date of despatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, August 6, 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) **If you apply via Electronic Application Instructions to HKSCC**

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, August 6, 2015, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, August 6, 2015. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, August 6, 2015 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, August 6, 2015. Immediately following the credit of the

Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, August 6, 2015.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Offer Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Offer Shares to be admitted into CCASS.

The following is the text of a report on China Railway Signal & Communication Corporation Limited, prepared for the purpose of incorporation in this prospectus received from the auditors and reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

28 July 2015

The Directors
China Railway Signal & Communication Corporation Limited

Citigroup Global Markets Asia Limited
Morgan Stanley Asia Limited
UBS Securities Hong Kong Limited

Dear Sirs,

We set out below our report on the financial information of China Railway Signal & Communication Corporation Limited (中國鐵路通信信號股份有限公司, the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2012, 2013 and 2014, and the three months ended 31 March 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2012, 2013 and 2014 and 31 March 2015, together with the notes thereto (the "Financial Information"), and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the three months ended 31 March 2014 (the "Interim Comparative Information"), for inclusion in the prospectus of the Company dated 28 July 2015 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is principally engaged in the provision of design and integration, equipment manufacturing and system implementation services for rail transportation control systems projects.

The Company was established on 29 December 2010 in Beijing, the People's Republic of China (the "PRC"), as a joint stock company with limited liability under the Company Law of the PRC. Pursuant to a group reorganisation (the "Reorganisation") of China Railway Signal & Communication Corporation ("CRSC Corporation Group"), a state-owned enterprise in the PRC, the Company became the holding company of the other subsidiaries now comprising the Group.

As at the date of this report, the Company has direct and indirect interests in the principal subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance (the "MOF") of the PRC ("PRC GAAP"). Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014, and the three months ended 31 March 2015 were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustment made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We have also performed a review of the Interim Comparative Information in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the IAASB. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been

consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Group and the Company as at 31 December 2012, 2013 and 2014 and 31 March 2015 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

(A) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Section II	Year ended 31 December			Three months ended 31 March	
	Notes	2012	2013	2014	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
REVENUE	6	10,550,912	13,064,585	17,328,643	3,346,571	4,757,060
Cost of sales	8	(7,650,319)	(9,625,281)	(13,134,039)	(2,442,893)	(3,479,624)
Gross profit		2,900,593	3,439,304	4,194,604	903,678	1,277,436
Other income and gains	6	140,265	154,665	756,924	32,583	40,199
Selling and distribution expenses		(295,842)	(369,979)	(458,625)	(85,968)	(107,605)
Administrative expenses		(1,562,204)	(1,706,370)	(2,158,320)	(394,556)	(502,076)
Other expenses		(49,064)	(191,603)	(29,466)	(18,250)	(21,441)
Finance costs	7	(46,013)	(14,382)	(14,736)	(3,569)	(5,900)
Share of profits of:						
Joint ventures		120,097	134,432	143,207	39,511	9,944
Associates		28,364	26,640	39,327	9,303	2,605
PROFIT BEFORE TAX	8	1,236,196	1,472,707	2,472,915	482,732	693,162
Income tax expense	10	(148,861)	(233,793)	(433,000)	(89,687)	(116,380)
PROFIT FOR THE YEAR/PERIOD		1,087,335	1,238,914	2,039,915	393,045	576,782
OTHER COMPREHENSIVE INCOME						
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:						
Re-measurement gains/(losses) on defined benefit plans, net of tax		38,007	22,752	(99,696)	(30,124)	(15,790)

	Section II	Year ended 31 December			Three months ended 31 March	
	Notes	2012	2013	2014	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX		1,125,342	1,261,666	1,940,219	362,921	560,992
Profit attributable to:						
Owners of the parent	11	1,067,669	1,260,459	2,033,469	391,948	539,262
Non-controlling interests		19,666	(21,545)	6,446	1,097	37,520
		1,087,335	1,238,914	2,039,915	393,045	576,782
Total comprehensive income attributable to:						
Owners of the parent		1,105,676	1,283,211	1,933,773	361,824	523,472
Non-controlling interests		19,666	(21,545)	6,446	1,097	37,520
		1,125,342	1,261,666	1,940,219	362,921	560,992
Earnings per share attributable to the ordinary equity holders of the parent:						
Basic and diluted (expressed in RMB per share)	13	0.19	0.19	0.29	0.06	0.08

(B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section II	As at 31 December			As at 31 March
	Notes	2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	14	2,167,265	1,674,883	2,749,777	2,746,765
Prepaid land lease payments	16	1,610,439	1,313,993	2,011,580	2,000,552
Goodwill	17	330	330	236,699	236,699
Other intangible assets	18	293,713	161,376	689,148	658,527
Investments in joint ventures	20	645,028	705,960	141,655	136,600
Investments in associates	21	127,865	160,906	202,464	198,884
Available-for-sale investments	22	4,032	2,359	2,359	2,359
Deferred tax assets	23	153,630	152,882	115,405	152,429
Trade receivables	26	187,744	313,174	595,955	618,508
Prepayments, deposits and other receivables	27	6,023	524,714	4,587	20,139
Total non-current assets		5,196,069	5,010,577	6,749,629	6,771,462
CURRENT ASSETS					
Non-current asset held for sale	28	—	1,079,813	—	—
Prepaid land lease payments	16	31,350	34,183	47,330	47,330
Inventories	24	2,030,961	2,047,602	2,861,486	2,691,700
Trade and bills receivables	26	4,376,211	5,997,873	7,324,348	7,918,549
Prepayments, deposits and other receivables	27	658,162	1,067,537	1,959,649	2,221,019
Amounts due from contract customers	25	2,029,889	2,305,799	3,110,558	3,741,444
Tax recoverable		5,796	3,746	14,374	7,311
Pledged deposits	29	103,435	124,214	163,466	166,798
Cash and cash equivalents	29	2,652,322	3,973,907	6,345,708	5,908,248
Total current assets		11,888,126	16,634,674	21,826,919	22,702,399
CURRENT LIABILITIES					
Trade and bills payables	30	4,019,210	5,243,880	6,985,712	7,606,103
Amounts due to contract customers	25	1,792,323	2,269,439	3,136,332	3,779,776
Other payables, advances from customers and accruals	31	1,834,667	2,760,047	4,416,537	6,740,700
Interest-bearing bank and other borrowings	32	491,900	233,749	227,626	250,000

	Section II Notes	As at 31 December 2012	2013	2014	As at 31 March 2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provisions for supplementary retirement benefits	35	76,738	72,642	71,916	72,732
Tax payable		47,613	42,067	144,049	136,712
Government grants	34	36,915	16,017	11,694	11,019
Total current liabilities		8,299,366	10,637,841	14,993,866	18,597,042
NET CURRENT ASSETS		3,588,760	5,996,833	6,833,053	4,105,357
TOTAL ASSETS LESS CURRENT LIABILITIES		8,784,829	11,007,410	13,582,682	10,876,819
NON-CURRENT LIABILITIES					
Trade payables	30	60,385	69,344	75,012	77,495
Interest-bearing bank and other borrowings	32	194,001	117,703	89,932	44,148
Provisions for supplementary retirement benefits	35	589,986	550,311	618,692	626,288
Deferred tax liabilities	23	—	—	88,767	84,622
Government grants	34	67,975	119,227	130,379	124,065
Provisions	33	230,471	151,941	104,601	112,274
Total non-current liabilities		1,142,818	1,008,526	1,107,383	1,068,892
Net assets		7,642,011	9,998,884	12,475,299	9,807,927
EQUITY					
Equity attributable to owners of the parent					
Share capital	36	4,500,000	7,000,000	7,000,000	7,000,000
Reserves	37(a)	3,096,550	2,981,672	4,663,725	1,959,459
		7,596,550	9,981,672	11,663,725	8,959,459
Non-controlling interests		45,461	17,212	811,574	848,468
Total equity		7,642,011	9,998,884	12,475,299	9,807,927

(C) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent							
	Share capital	Capital reserve*	Special reserve*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2012	4,500,000	452,847	58,054	—	1,472,784	6,483,685	115,836	6,599,521
Profit for the year	—	—	—	—	1,067,669	1,067,669	19,666	1,087,335
Other comprehensive income for the year:								
Re-measurement gains on defined benefit plans, net of tax	—	38,007	—	—	—	38,007	—	38,007
Total comprehensive income for the year	—	38,007	—	—	1,067,669	1,105,676	19,666	1,125,342
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	1,162	1,162
Acquisition of non-controlling interests (note (i))	—	5,732	—	—	—	5,732	(81,738)	(76,006)
Dividends declared to non-controlling shareholders	—	—	—	—	—	—	(9,465)	(9,465)
Appropriation to statutory surplus reserve (note (iii))	—	—	—	35,052	(35,052)	—	—	—
Transfer to special reserve (note (ii))	—	—	94,018	—	(94,018)	—	—	—
Utilisation of special reserve (note (ii))	—	—	(47,474)	—	47,474	—	—	—
Others	—	1,519	—	—	(62)	1,457	—	1,457
As at 31 December 2012 and 1 January 2013	4,500,000	498,105	104,598	35,052	2,458,795	7,596,550	45,461	7,642,011
Profit for the year	—	—	—	—	1,260,459	1,260,459	(21,545)	1,238,914
Other comprehensive income for the year:								
Re-measurement gains on defined benefit plans, net of tax	—	22,752	—	—	—	22,752	—	22,752
Total comprehensive income for the year	—	22,752	—	—	1,260,459	1,283,211	(21,545)	1,261,666
Capital contribution from shareholders (note 36 (i))	1,418,326	—	—	—	—	1,418,326	—	1,418,326
Increase in share capital by capitalisation of retained profits (note 36(i))	1,081,674	—	—	—	(1,081,674)	—	—	—
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	50	50
Acquisition of non-controlling interests (note (i))	—	2,272	—	—	—	2,272	(6,754)	(4,482)
Dividends declared	—	—	—	—	(318,687)	(318,687)	—	(318,687)
Appropriation to statutory surplus reserve (note (iii))	—	—	—	152,891	(152,891)	—	—	—
Transfer to special reserve (note (ii))	—	—	109,623	—	(109,623)	—	—	—
Utilisation of special reserve (note (ii))	—	—	(75,305)	—	75,305	—	—	—

	Attributable to owners of the parent							
	Share capital	**Capital reserve***	**Special reserve***	**Statutory surplus reserve***	**Retained profits***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2013 and 1 January 2014	7,000,000	523,129	138,916	187,943	2,131,684	9,981,672	17,212	9,998,884
Profit for the year	—	—	—	—	2,033,469	2,033,469	6,446	2,039,915
Other comprehensive loss for the year:								
Re-measurement losses on defined benefit plans, net of tax	—	(99,696)	—	—	—	(99,696)	—	(99,696)
Total comprehensive income for the year	—	(99,696)	—	—	2,033,469	1,933,773	6,446	1,940,219
Acquisition of subsidiaries	—	—	—	—	—	—	787,153	787,153
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	980	980
Dividends declared	—	—	—	—	(250,691)	(250,691)	(217)	(250,908)
Appropriation to statutory surplus reserve (note (iii))	—	—	—	100,261	(100,261)	—	—	—
Transfer to special reserve (note (ii))	—	—	139,731	—	(139,731)	—	—	—
Utilisation of special reserve (note (ii))	—	—	(120,047)	—	120,047	—	—	—
Others	—	(1,029)	—	—	—	(1,029)	—	(1,029)
As at 31 December 2014 and 1 January 2015	7,000,000	422,404	158,600	288,204	3,794,517	11,663,725	811,574	12,475,299
Profit for the period	—	—	—	—	539,262	539,262	37,520	576,782
Other comprehensive loss for the period:								
Re-measurement losses on defined benefit plans, net of tax	—	(15,790)	—	—	—	(15,790)	—	(15,790)
Total comprehensive income for the period	—	(15,790)	—	—	539,262	523,472	37,520	560,992
Dividends declared to a non-controlling shareholder	—	—	—	—	—	—	(626)	(626)
Special dividend declared (note 12 (i))	—	—	—	—	(3,227,738)	(3,227,738)	—	(3,227,738)
Transfer to special reserve (note (ii))	—	—	36,771	—	(36,771)	—	—	—
Utilisation of special reserve (note (ii))	—	—	(23,600)	—	23,600	—	—	—
As at 31 March 2015	7,000,000	406,614	171,771	288,204	1,092,870	8,959,459	848,468	9,807,927

	Attributable to owners of the parent							
	Share capital	**Capital reserve***	**Special reserve***	**Statutory surplus reserve***	**Retained profits***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2014	7,000,000	523,129	138,916	187,943	2,131,684	9,981,672	17,212	9,998,884
Profit for the period (unaudited)	—	—	—	—	391,948	391,948	1,097	393,045
Other comprehensive loss for the period:								
Re-measurement losses on defined benefit plans, net of tax (unaudited)	—	(30,124)	—	—	—	(30,124)	—	(30,124)
Total comprehensive income for the period (unaudited)	—	(30,124)	—	—	391,948	361,824	1,097	362,921
Acquisition of subsidiaries (unaudited)	—	—	—	—	—	—	150,499	150,499
Transfer to special reserve (unaudited) (note (ii))	—	—	24,738	—	(24,738)	—	—	—
Utilisation of special reserve (unaudited) (note (ii))	—	—	(18,661)	—	18,661	—	—	—
Others (unaudited)	—	(1,015)	—	—	—	(1,015)	—	(1,015)
As at 31 March 2014 (unaudited)	7,000,000	491,990	144,993	187,943	2,517,555	10,342,481	168,808	10,511,289

* As at 31 December 2012, 2013 and 2014 and 31 March 2015, these reserve accounts comprise the consolidated reserves of RMB3,096,550,000, RMB2,981,672,000, RMB4,663,725,000 and RMB1,959,459,000, respectively, in the consolidated statements of financial position.

Notes:

(i) During the Relevant Periods, the Group entered into certain purchase agreements with the non-controlling shareholders to acquire the non-controlling interests ("NCI"). The acquisitions of NCI are accounted for as equity transactions whereby any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid are recognised directly in equity and attributed to the owners of the parent.

(ii) In the preparation of the Financial Information, the Group has appropriated certain amounts of retained profits to a special reserve fund for each of the years ended 31 December 2012, 2013 and 2014, and each of the three months ended 31 March 2014 and 2015, for safety production expense purposes as required by directives issued by the relevant PRC government authorities. The Group charged the safety production expenses to profit or loss when such expenses were incurred, and at the same time the corresponding amounts of special reserve fund were utilised and transferred back to retained profits.

(iii) In accordance with the PRC Company Law and the articles of association of the Company, the Company is required to appropriate 10% of its net profits after tax, as determined under the PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Company, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Company.

(D) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Section II	Year ended 31 December			Three months ended 31 March	
	Notes	2012	2013	2014	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		1,236,196	1,472,707	2,472,915	482,732	693,162
Adjustments for:						
Finance costs	7	46,013	14,382	14,736	3,569	5,900
Foreign exchange differences, net		(551)	506	776	(378)	249
Interest income	6	(33,784)	(21,990)	(49,295)	(9,367)	(20,342)
Share of profits of associates and joint ventures		(148,461)	(161,072)	(182,534)	(48,814)	(12,549)
Gain on remeasurement of the previously held interest in an acquiree at its acquisition-date fair value in a step acquisition of a subsidiary	6	—	—	(135,165)	—	—
Gains on disposal of a subsidiary and an associate	6	—	—	(9,102)	—	—
Losses/(gains) on forward commodity purchase contracts	8	(9,842)	15,987	14,391	14,048	3,176
Loss on disposal of an available-for-sale investment	8	—	883	—	—	—
Depreciation of items of property, plant and equipment	8	169,672	176,219	343,543	72,613	89,706
Amortisation of other intangible assets	8	61,987	53,650	35,658	8,835	33,397
Amortisation of prepaid land lease payments	8	31,491	31,650	34,813	8,650	11,028
Impairment of trade receivables	8	45,102	42,505	12,121	4,223	8,408

	Section II Notes	Year ended 31 December 2012	2013	2014	Three months ended 31 March 2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Impairment/(reversal of impairment) of deposits and other receivables	8	1,996	6,695	(178)	(247)	8,002
Impairment/(reversal of impairment) of inventories	8	(727)	17,600	2,342	(2)	76
Provision/(reversal) for foreseeable losses on contracts	8	(808)	93	3,891	3,229	4,513
Losses/(gains) on disposal of items of property, plant and equipment		(1,278)	(4,691)	(25,615)	226	(211)
Gain on disposal of a non-current asset held for sale	6	—	—	(393,904)	—	—
Gains on disposal of prepaid land lease payments	6	(788)	(6,884)	—	—	—
Losses on disposal of other intangible assets	8	—	106,876	—	—	—
Write-off of deferred development costs	8	—	4,295	28,304	25,376	—
Government grants		(25,888)	(49,127)	(28,345)	(18,252)	(8,511)
		1,370,330	1,700,284	2,139,352	546,441	816,004
Decrease/(increase) in inventories		700,176	(34,242)	(726,831)	(143,585)	169,710
Changes in amounts due from/(to) contract customers		(882,485)	201,208	216,438	18,818	8,045
Increase in trade and bills receivables		(378,838)	(1,571,576)	(1,055,077)	(400,135)	(625,162)
Decrease/(increase) in prepayments, deposits and other receivables		174,745	(377,102)	(542,470)	(274,172)	(291,104)
Increase in pledged deposits		(55,740)	(9,779)	(26,861)	(1,884)	(3,332)

	Section II Notes	Year ended 31 December			Three months ended 31 March	
		2012	2013	2014	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Increase in trade and bills payables		166,647	1,234,549	1,023,328	634,014	662,588
Increase/(decrease) in other payables, advances from customers and accruals		(299,424)	739,503	523,366	(423,964)	(790,276)
Increase/(decrease) in provisions for supplementary retirement benefits		15,489	(21,019)	(32,041)	(4,252)	(7,378)
Increase/(decrease) in provisions		56,176	(78,530)	(47,340)	2,790	7,673
Increase in government grants		26,126	18,415	19,391	6,446	1,522
Cash flows from/(used in) operations		893,202	1,801,711	1,491,255	(39,483)	(51,710)
Interest received		22,651	13,307	26,232	5,973	11,038
Income tax paid		(225,254)	(229,658)	(326,671)	(80,691)	(157,823)
Net cash flows from/(used in) operating activities		690,599	1,585,360	1,190,816	(114,201)	(198,495)
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments for acquisition of items of property, plant and equipment		(272,753)	(432,644)	(694,916)	(7,604)	(196,677)
Payments for acquisition of prepaid land lease payments		(309,400)	(83,802)	(700,608)	(527,170)	—
Payments for acquisition of other intangible assets		(33,305)	(36,181)	(38,625)	(13,891)	(2,776)
Prepayments for acquisition of subsidiaries		—	(518,227)	—	—	—
Addition of investments in associates		—	(31,850)	(57,000)	—	—

	Section II Notes	Year ended 31 December			Three months ended 31 March	
		2012	2013	2014	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Proceeds from disposal of items of property, plant and equipment		4,568	14,712	21,497	2,016	1,503
Proceeds from disposal of prepaid land lease payments		5,657	11,244	—	—	—
Proceeds from disposal of a non-current asset held for sale		—	—	1,468,031	—	—
Proceeds from disposal of a subsidiary and an associate		—	—	37,824	—	—
Proceeds from disposal of an available-for-sale investment		—	790	—	—	—
Dividends received from associates and joint ventures		86,712	99,438	89,400	14,298	6,750
Acquisitions of subsidiaries, net of cash acquired	38	—	(36,209)	700,551	612,968	—
Repayment of advances to a non-controlling shareholder		—	—	—	—	50,000
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months		(400,000)	(402,456)	643,716	2,056	19,605
Decrease/(increase) in pledged deposits		—	(11,000)	11,000	—	—
Receipt of government grants		—	61,067	—	—	—
Interest received		9,166	10,650	23,063	3,394	9,304
Net cash flows from/(used in) investing activities		(909,355)	(1,354,468)	1,503,933	86,067	(112,291)

	Section II Notes	Year ended 31 December 2012	2013	2014	Three months ended 31 March 2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans and other borrowings		1,237,813	344,785	300,000	—	—
Repayment of bank loans and other borrowings		(1,368,809)	(879,234)	(233,894)	(15,332)	(23,410)
Interest paid		(45,983)	(39,702)	(14,745)	(5,474)	(5,900)
Acquisitions of non-controlling interests		(76,006)	(4,482)	—	—	—
Dividends paid to shareholders		(19,306)	(151,000)	—	—	(77,510)
Dividends paid to non-controlling shareholders		(9,465)	—	(217)	—	—
Capital contribution from shareholders	36	—	1,418,326	—	—	—
Capital contribution from non-controlling shareholders		1,162	50	980	—	—
Net cash flows from/(used in) financing activities		(280,594)	688,743	52,124	(20,806)	(106,820)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		(499,350)	919,635	2,746,873	(48,940)	(417,606)
Cash and cash equivalents at beginning of the year/period		2,751,121	2,252,322	3,171,451	3,171,451	5,917,548
Effect of exchange rate changes on cash and cash equivalents		551	(506)	(776)	378	(249)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	29	2,252,322	3,171,451	5,917,548	3,122,889	5,499,693

(E) STATEMENTS OF FINANCIAL POSITION

	Section II	As at 31 December			As at 31 March
	Notes	2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	14	239,601	401,278	173,337	179,239
Prepaid land lease payments	16	388,401	459,451	1,138,925	1,132,975
Investment properties	15	30,966	30,194	896,190	890,930
Other intangible assets	18	9,576	9,669	37,235	35,392
Investments in subsidiaries	19	5,776,940	6,076,940	7,767,021	7,867,021
Investment in a joint venture	20	390,036	390,036	—	—
Investment in an associate	21	—	—	33,000	33,000
Available-for-sale investments	22	2,141	2,141	2,141	2,141
Deferred tax assets	23	48,364	48,379	37,019	38,170
Trade receivables	26	180,058	73,354	197,192	103,203
Prepayments, deposits and other receivables	27	4,215	522,414	3,249	3,397
Total non-current assets		7,070,298	8,013,856	10,285,309	10,285,468
CURRENT ASSETS					
Prepaid land lease payments	16	1,879	15,267	24,041	24,041
Inventories	24	65,946	4,218	653	413
Trade and bills receivables	26	1,386,207	2,043,698	1,678,098	2,093,065
Prepayments, deposits and other receivables	27	1,830,101	3,021,964	2,381,428	5,101,224
Amounts due from contract customers	25	1,180,419	734,312	690,731	686,870
Tax recoverable		—	—	8,402	5,505
Pledged deposits	29	31,618	38,129	27,467	27,467
Cash and cash equivalents	29	1,737,193	2,693,558	3,528,925	3,547,467
Total current assets		6,233,363	8,551,146	8,339,745	11,486,052
CURRENT LIABILITIES					
Trade and bills payables	30	1,966,625	2,213,934	1,953,115	2,342,348
Amounts due to contract customers	25	918,525	1,291,442	1,446,338	1,827,630
Other payables, advances from customers and accruals	31	4,092,687	4,387,183	5,784,967	8,963,728
Interest-bearing bank and other borrowings	32	450,000	200,000	300,000	300,000

	Section II Notes	As at 31 December 2012	2013	2014	As at 31 March 2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provisions for supplementary retirement benefits	35	7,084	9,283	8,101	8,103
Tax payable		10,750	705	—	—
Government grants	34	3,662	6,123	2,737	2,737
Total current liabilities		7,449,333	8,108,670	9,495,258	13,444,546
NET CURRENT ASSETS/(LIABILITIES)		(1,215,970)	442,476	(1,155,513)	(1,958,494)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,854,328	8,456,332	9,129,796	8,326,974
NON-CURRENT LIABILITIES					
Provisions for supplementary retirement benefits	35	77,860	89,150	90,820	90,313
Government grants	34	37,902	34,852	34,061	33,857
Provisions	33	59,094	58,771	58,611	58,611
Total non-current liabilities		174,856	182,773	183,492	182,781
Net assets		5,679,472	8,273,559	8,946,304	8,144,193
EQUITY					
Share capital	36	4,500,000	7,000,000	7,000,000	7,000,000
Reserves	37(b)	1,179,472	1,273,559	1,946,304	1,144,193
Total equity		5,679,472	8,273,559	8,946,304	8,144,193

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was established as a joint stock company with limited liability on 29 December 2010 in the PRC as part of the Reorganisation of CRSC Corporation Group. CRSC Corporation Group was the holding company of the subsidiaries now comprising the Group prior to the Reorganisation.

In consideration for the transfer by CRSC Corporation Group and four investors including China National Machinery Industry Corporation (中國機械工業集團有限公司), China Chengtong Holdings Group Ltd. (中國誠通控股集團有限公司), China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司) and CICC Jiacheng Investment Management Co., Ltd. (中金佳成投資管理有限公司) (collectively "Other Investors") of CRSC Corporation Group's core operations of RMB5,200.0 million and cash in an aggregate amount of RMB170.0 million, respectively, to the Company upon its incorporation on 29 December 2010, the Company issued 4,357.5 million ordinary shares to CRSC Corporation Group and 142.5 million ordinary shares to Other Investors, respectively. The ordinary shares issued to CRSC Corporation Group and Other Investors have a par value of RMB1.00 each and represented the entire registered and issued share capital of the Company upon its incorporation.

Pursuant to the resolution passed by the board of directors in May 2013, the Company's share capital was increased from RMB4,500.0 million to RMB7,000.0 million by capitalisation of retained profits of RMB1,081.7 million, which represents an amount equal to retained profits attributable to CRSC Corporation Group upon the completion of the Reorganisation, and capital contribution of RMB1,418.3 million in cash by CRSC Corporation Group and Other Investors.

The registered office address of the Company is B 49 Xisihuan South Road, Fengtai District, Beijing, the PRC.

In the opinion of the Directors, throughout the Relevant Periods and the three months ended 31 March 2014, and up to the date of this report, the Company's holding company is CRSC Corporation Group, which is wholly owned by the State-owned Assets Supervision and Administration Commission ("SASAC") of the PRC.

As at the date of this report, the Company had direct and indirect interests in the following principal subsidiaries, all being private companies with limited liability, the particulars of which are set out below:

Subsidiaries

Company name	Notes	Place and date of registration and place of business	Registered share capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Shenyang Railway Signal Co., Ltd.* ("CRSC Shenyang") (瀋陽鐵路信號有限責任公司)	(i)	The PRC/ Mainland China, 9 September 1991	RMB160,000,000	—	100%	Manufacturing and sale of equipment and devices, accessories and electrical machinery for railways and urban transit
Tianjin Railway Signal Co., Ltd.* ("TRSC") (天津鐵路信號有限責任公司)	(ii)	The PRC/ Mainland China, 11 September 1981	RMB186,180,000	—	100%	Manufacturing and sale of rail transportation control, information and electric power basic equipment
Xi'an Railway Signal Co., Ltd.* ("CRSC Xi'an") (西安鐵路信號有限責任公司)	(i)	The PRC/ Mainland China, 7 December 1991	RMB430,000,000	—	100%	Manufacturing and sale of rail transportation control, information and electric power basic equipment
Beijing Railway Signal Co., Ltd.* ("BRSC") (北京鐵路信號有限公司)	(i)	The PRC/ Mainland China, 26 April 1991	RMB650,000,000	—	100%	Manufacturing and sale of equipment and devices, accessories and electrical machinery for railways and urban transit
Chengdu Railway Communication Equipment Co., Ltd.* ("CRCEF") (成都鐵路通信設備有限責任公司)	(ii)	The PRC/ Mainland China, 17 July 1996	RMB111,000,000	—	100%	Manufacturing and sale of railway signal equipment and technical consulting
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)	(i)	The PRC/ Mainland China, 21 August 1984	RMB338,099,357	100%	—	System integration, engineering contracting, and provision of survey, design and consultation services

Company name	Notes	Place and date of registration and place of business	Registered share capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Beijing National Railway Research & Design Institute of Signal & Communication Co., Ltd.* ("CRSCD") (北京全路通信信號研究設計院有限公司)	(i)	The PRC/ Mainland China, 18 November 1994	RMB1,332,491,300	100%	—	Design of and consultancy for railway communication, protection, signal, electric power and auxiliary works, technical development, and testing and installation of system integration
CRSC Communication & Information Group Company Ltd.* (通號通信信息集團有限公司)	(ii)	The PRC/ Mainland China, 5 October 1992	RMB232,749,317	100%	—	Technical development and provision of technical service for communication information system integration
Beijing Zhongtietong Technology Development Center of Signal & Communication Co., Ltd.* (北京中鐵通電務技術開發有限公司)	(ii)	The PRC/ Mainland China, 9 July 1993	RMB60,000,000	—	100%	Design, entrusted production and sale of communication, signal, electric power and automatic control equipment
CRSC International Holdings Company Limited* (通號國際控股有限公司)	(ii)	The PRC/ Mainland China, 23 December 2011	RMB120,000,000	100%	—	Project investment, technical development, provision of technical service, construction contracting and import and export of goods
CRSC Engineering Group Company Ltd.* (通號工程局集團有限公司)	(i)	The PRC/ Mainland China, 10 September 2012	RMB201,463,200	100%	—	Construction and installation contracting
CRSC Innovation Investment Company Ltd.* (通號創新投資有限公司)	(i)	The PRC/ Mainland China, 21 September 2012	RMB1,000,000,000	100%	—	Project investment, project management and investment consulting
CRSC Assets Management Company Limited* (通號資產管理有限公司)	(iv)	The PRC/ Mainland China, 17 June 2013	RMB100,000,000	100%	—	Property management

Company name	Notes	Place and date of registration and place of business	Registered share capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
CRSC Material Group Company Limited* (通號物資集團有限公司)	(iii)	The PRC/ Mainland China, 22 May 2013	RMB100,000,000	100%	—	Trading of equipment in communication, signal, electric power and automatic control, minerals, coal, coke and other materials
Beijing Urban Transit Technology Co., Ltd.* (北京通號國鐵城市軌道技術有限公司)	(ii)	The PRC/ Mainland China, 6 May 2010	RMB100,000,000	100%	—	Urban rail transit technical development, consultation and provision of related service
Shanghai Railway Communication Co., Ltd.* ("CRSC Shanghai") (上海鐵路通信有限公司)	(vi)	The PRC/ Mainland China, 2 July 1989	RMB520,000,000	—	100%	Manufacturing and sale of rail transportation control, information and electric power basic equipment
CRSC (Changsha) Railway Traffic Control Technology Company Limited* (CRSC Changsha Railway) (通號(長沙)軌道交通控制技術有限公司)	(vi)	The PRC/ Mainland China, 17 March 2014	RMB300,000,000	100%	—	Manufacturing, construction and installation of rail transportation control products and electric power engineering
CRSC Wanquan Signal Equipment Company Ltd.* ("CRSC Wanquan") (通號萬全信號設備有限公司)	(v)	The PRC/ Mainland China, 18 March 1996	RMB84,330,000	70%	—	Manufacturing, installation and construction of communication and signal automatic equipment and electronic and electrical equipment and provision of related technical service, manufacturing of tramcars and system integration
CRSC Guizhou Construction Company Ltd.* ("CRSC Guizhou Construction") (中國鐵路通信信號貴州建設有限公司)	(v)	The PRC/ Mainland China, 18 June 1985	RMB500,000,000	90%	—	Industrial and civil construction contracting and municipal engineering

Company name	Notes	Place and date of registration and place of business	Registered share capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
CRSC Cables Company Ltd.* ("CRSC Cables") (通號電纜集團有限公司)	(viii)	The PRC/ Mainland China, 13 March 2014	RMB347,500,000	100%	—	Manufacturing and sale of cables, electrical appliances and equipment
CRSC Inspection & Testing Co., Ltd.* (通號檢驗檢測有限公司)	(vii)	The PRC/ Mainland China, 29 October 2014	RMB50,000,000	100%	—	Technical detection
CRSC (Zhengzhou) Zhong'an Engineering Co., Ltd.* ("CRSC Zhengzhou Zhong'an") (中國鐵路通信信號(鄭州)中安工程有限公司)	(v)	The PRC/ Mainland China, 7 July 1997	RMB125,000,000	60%	—	Railway engineering construction contracting
Casco Signal Ltd.* ("CRSC CASCO") (卡斯柯信號有限公司)	(ix)	The PRC/ Mainland China, 5 March 1986	RMB200,000,000	51%	—	Design, integration and contracting of communication signal works, manufacturing and sale of communication signal equipment and related ancillary equipment
CRSC (Beijing) Rail Industry Group Co., Ltd.* ("CRSC Beijing Industry") (通號(北京)軌道工業集團有限公司)	(x)	The PRC/ Mainland China, 29 December 2014	RMB1,400,000,000	100%	—	Manufacturing, installation, sale of railway signal equipment and devices, accessories and electrical machinery for railways and urban transit, and technical consulting
CRSC (Xi'an) Rail Industry Group Co., Ltd.* ("CRSC Xi'an Industry") (通號(西安)軌道交通工業集團有限公司)	(xi)	The PRC/ Mainland China, 30 December 2014	RMB900,000,000	100%	—	Manufacturing and sale of rail transportation control, information and electric power basic equipment and devices

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

** The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the Relevant Periods and the three months ended 31 March 2014 or formed a substantial portion of the net assets of the Group as at 31 March 2015. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Notes:

(i) The statutory financial statements of these subsidiaries for the years ended 31 December 2012 and 2013 prepared under PRC GAAP were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP Beijing Branch (德勤華永會計師事務所(特殊普通合夥)北京分所).

The statutory financial statements of these subsidiaries for the year ended 31 December 2014 prepared under PRC GAAP were audited by Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥)) registered in the PRC.

(ii) The statutory financial statements of these subsidiaries for the years ended 31 December 2012 and 2013 prepared under PRC GAAP were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP Beijing Branch (德勤華永會計師事務所(特殊普通合夥)北京分所).

The statutory financial statements of these subsidiaries for the year ended 31 December 2014 prepared under PRC GAAP were audited by Baker Tilly China Certified Public Accountants LLP (天職國際會計師事務所(特殊普通合夥)) registered in the PRC.

(iii) The statutory financial statements of this subsidiary for the years ended 31 December 2013 and 2014 prepared under PRC GAAP were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP Beijing Branch (德勤華永會計師事務所(特殊普通合夥)北京分所) and Baker Tilly China Certified Public Accountants LLP (天職國際會計師事務所(特殊普通合夥)) registered in the PRC, respectively.

No statutory financial statements were prepared for this subsidiary for the year ended on 31 December 2012 as this entity was established in 2013.

(iv) The statutory financial statements of this subsidiary for the years ended 31 December 2013 and 2014 prepared under PRC GAAP were audited by China Audit Asia Pacific Certified Public Accountants LLP (中審亞太會計師事務所(特殊普通合夥)) and Baker Tilly China Certified Public Accountants LLP (天職國際會計師事務所(特殊普通合夥)) registered in the PRC, respectively.

No statutory financial statements were prepared for this subsidiary for the year ended on 31 December 2012 as this entity was established in 2013.

(v) In 2014, the Company acquired a 70.0% equity interest of CRSC Wanquan, a 79.7% equity interest of CRSC Guizhou Construction, and a 60.0% equity interest of CRSC Zhengzhou Zhong'an from third parties, respectively. The statutory financial statements of these subsidiaries for the year ended on 31 December 2014 prepared under PRC GAAP were audited by Baker Tilly China Certified Public Accountants LLP (天職國際會計師事務所(特殊普通合夥)) registered in the PRC.

(vi) On 17 March 2014, CRSC Changsha Railway was established and the Company owned directly a 100% equity interest in the entity. The statutory financial statements of this entity for the year ended on 31 December 2014 prepared under PRC GAAP were audited by Baker Tilly China Certified Public Accountants LLP (天職國際會計師事務所(特殊普通合夥)) registered in the PRC.

(vii) No statutory financial statements were prepared for this subsidiary as this entity was newly established at the end of 2014.

(viii) On 13 March 2014, CRSC Cables was established by the Company. Prior to the incorporation of CRSC Cables, Jiaozuo Railway Cable Co., Ltd. ("焦作鐵路電纜有限責任公司", "CRSC Jiaozuo Cable") and Tianshui Railway Cable Co., Ltd. ("天水鐵路電纜有限責任公司", "CRSC Tianshui Cable") were directly owned or controlled by the Company. Pursuant to the share transfer agreements between the Company and CRSC Cables, the 100% of the equity interests of CRSC Jiaozuo Cable and CRSC Tianshui Cable were transferred to CRSC Cables respectively upon its incorporation in 2014.

The statutory financial statements of this subsidiary for the year ended 31 December 2014 prepared under PRC GAAP were audited by Ernst & Young Hua Ming LLP (安永華明會計師事務所 (特殊普通合夥)) registered in the PRC.

No statutory financial statements were prepared for this subsidiary for the years ended 31 December 2012 and 2013 as this entity was established in 2014.

(ix) In December 2014, the Company and Alstom (China) Investment Co., Ltd. entered into a share transfer agreement, pursuant to which the Company acquired an additional 1% equity interest in CRSC CASCO, a joint venture in which the Group owned 50% equity interests. Upon the completion of the acquisition on 31 December 2014, the Company owned 51% equity interests in CRSC CASCO and could direct the relevant activities of CRSC CASCO upon the amendment of its articles of the association. Therefore, effective on 31 December 2014, CRSC CASCO was accounted for as a subsidiary of the Group and the financial statements of CRSC CASCO have been consolidated by the Company in its consolidated financial statements as at 31 December 2014. And also, Alstom (China) Investment Co., Ltd. and its affiliates (collectively referred to as "Alstom") became a related party of the Group as a material non-controlling shareholder of the Group since then. For details, please refer to note 38 of this section.

The statutory financial statements of this entity for the year ended on 31 December 2014 prepared under PRC GAAP were audited by PricewaterhouseCoopers Zhong Tian Certified Public Accountants LLP (普華永道中天會計師事務所(特殊普通合夥)) registered in the PRC.

(x) On 29 December 2014, CRSC Beijing Industry was established and the Company owned directly a 100% equity interest in the entity. Prior to the incorporation of CRSC Beijing Industry, BRSC, CRSC Shanghai and CRCEF were directly owned or controlled by the Company. Pursuant to the share transfer agreements between the Company and CRSC Beijing Industry, the 100% of the equity interests of BRSC, CRSC Shanghai and CRCEF were transferred to CRSC Beijing Industry respectively in April 2015.

No statutory financial statements were prepared for this subsidiary as this entity was newly established at the end of 2014.

(xi) On 30 December 2014, CRSC Xi'an Industry was established and the Company owned directly a 100% equity interest in the entity. Prior to the incorporation of CRSC Xi'an Industry, CRSC Shenyang, TRSC and CRSC Xi'an were directly owned or controlled by the Company. Pursuant to the share transfer agreements between the Company and CRSC Xi'an Industry, the 100% of the equity interests of CRSC Shenyang , TRSC and CRSC Xi'an were transferred to CRSC Xi'an Industry respectively in April 2015.

No statutory financial statements were prepared for this subsidiary as this entity was newly established at the end of 2014.

2. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

This Financial Information has been prepared under the historical cost convention. A non-current asset held for sale is stated at the lower of its carrying amount and fair value less cost to sell as further explained in note 28. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

3.1 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information herein.

IFRS 9	*Financial Instruments*[3]
IFRS 10 and IAS 28 Amendments	Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
IFRS 10, IFRS 12 and IAS 28 Amendments	Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment Entities: Applying the Consolidation Exception*[1]
IFRS 11 Amendments	Amendments to IFRS 11: *Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
IAS 1 Amendments	Amendments to IAS 1: *Disclosure Initiative*[1]
IAS 16 and IAS 38 Amendments	Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
IAS 16 and IAS 41 Amendments	Amendments to IAS 16 and IAS 41: *Agriculture: Bearer Plants*[1]
IAS 27 Amendments	Amendments to IAS 27: *Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]

[1] Effective for annual periods beginning on or after 1 January 2016

[2] Effective for annual periods beginning on or after 1 January 2017

[3] Effective for annual periods beginning on or after 1 January 2018

[4] Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Financial Information includes the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the Relevant Periods. 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 in the accounting policy for subsidiaries below. 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.

Subsidiaries

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.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's profit or loss to the extent of dividend received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5.

Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Information and on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction and service contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Categories	Annual rates
Buildings	2.25%-4.85%
Machinery	9.00%-19.40%
Motor vehicles	11.25%-19.40%
Electronic equipment and others	9.00%-32.33%
Leasehold improvement	20.00%-50.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is charged so as to write off the cost of investment properties using the straight-line method over the estimated useful lives of 50 years. Owner-occupied property is transferred to investment property when there is a change in use evidenced by the end of owner occupation.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognised.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition.

The useful lives of intangible assets are assessed to be either finite or indefinite.

	Estimated useful life	Internally generated or acquired
Purchased software	5 years	Acquired
Patents and licences	5 years	Internally generated and acquired
Patents and technology know-how*	8 years	Acquired
Backlog*	3 years	Acquired
Customer relationship*	9 years	Acquired

* On 31 December 2014, the Company acquired intangible assets as part of its step acquisition of CRSC CASCO, which included patents and technology know-how, backlog and customer relationship. More details are given in note 38 of this section. They are amortised on the straight-line basis over their estimated useful lives.

Intangible assets with finite lives are subsequently amortised over the useful economic life on straight line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expenses on intangible assets with finite lives are recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited in profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss — is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, interest-bearing bank and other borrowings and other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward commodity purchase contracts to hedge its commodity purchase price risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative as defined by IAS 39 is recognised in profit or loss as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Trade and bills receivables and other receivables

Trade and bills receivables and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of these receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets.

Trade and bills receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Trade and bills payables and other payables

Trade and bills payables and other payables are mainly obligations to pay for goods, equipment or services that have been acquired in the ordinary course of business from suppliers and service providers. These payables are classified as current liabilities if they are due within one year or less (or in the normal operating cycle of the business if longer).

Income tax

Income tax comprises current and deferred tax. Share of income tax expense of joint ventures and associates are included in "share of profits of joint ventures and associates". Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(c) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Contracts for services

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

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

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracting is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

The Financial Information is presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Employee benefits

Retirement benefits

(a) Social pension plans

The Group has the social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Group has no further obligations beyond the contributions made.

(b) Annuity plan

The Group provides an annuity plan to the voluntary or eligible employees. Contributions are made based on a percentage of the voluntary or eligible employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the plan. Under the plan, the Group has no further obligations beyond the contributions made.

(c) Supplementary retirement benefits

The Group also provides the retirement pension subsidies, medical benefits and other supplementary benefits to employees who retired on or before 31 December 2013. These supplementary retirement benefits are considered to be defined benefit plans and are unfunded. The obligations recognised in the consolidated statements of financial position in respect of these defined benefit plans is the present value of the defined benefit obligations at the end of each reporting period. The defined benefit obligation is calculated by independent qualified actuaries using the projected unit credit method annually, or when any material changes in the plans and key assumptions will occur. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities of the currency and term consistent with the currency and term of the supplementary retirement benefit obligations. Re-measurements arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the consolidated statements of financial position with a corresponding debit or credit to other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in the consolidated statement of comprehensive income by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and

- net interest expense or income

Termination benefits and early retirement benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Early retirement benefits are recognised in the period in which the Group has entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. As for early retirement benefits, the Group recognises monthly paid salaries and social benefits for these early retirees during the period from the date of early retirement to the normal retirement date as termination benefits. The expected costs of these benefits are measured by the projected cumulative unit credit method. All service cost, net interest on the net liability of early retirement benefits, and remeasurement including actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are recognised immediately in profit or loss for the current period.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

Apart from those described above, the Group does not have any other legal or constructive obligations over employee benefits.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of total budgeted costs and percentage of completion of construction and service works

The Group recognises revenue according to the percentage of completion of individual contracts of construction and service work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs.

Total budgeted costs for construction contract and contract for services comprise (i) direct material costs and direct labour, (ii) costs of subcontracting, and (iii) an appropriation of variable and fixed construction and services overheads. In estimating the total budgeted costs for construction contract and contracts for services, management makes reference to information such as (i) current offers from sub-contractors and suppliers, (ii) recent offers agreed with sub-contractors and suppliers, and (iii) professional estimation on material costs, labour costs and other costs.

Due to the nature of the activity undertaken in contracts for construction and services, the date at which the activity is started and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and, when necessary, revises the estimate of total budgeted costs and percentage of completion of construction and service works as the contract progresses. If the estimate of total budgeted costs and percentage of completion are changed when new events or circumstances affected total budgeted costs arise or are different from previous estimation, revenue recognised for the periods that the estimation changes and thereafter will be affected, besides, where the contract revenue is less than expected or actual contract costs are more than expected, a foreseeable loss may arise.

Useful lives and residual values of items of property, plant and equipment and other intangible assets

In determining the useful lives and residual values of items of property, plant and equipment and other intangible assets, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment and other intangible assets are different from previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

Current income tax and deferred income tax

The Group is subject to income taxes in numerous jurisdictions in the PRC. Estimation is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax in the periods in which the differences arise.

Deferred tax assets

Deferred tax assets relating to certain deductible temporary differences are recognised as management considers it is probable that future taxable profits will be available against which the unused temporary differences or unused tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

Write-down of inventories to net realisable value

The Group determines the write-down for obsolescence of inventories. These estimates are made with reference to aged inventories, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the estimated net realisable values decline below their carrying amounts of inventories. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade and bills receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers will deteriorate such that the actual impairment loss might be higher than expected, the Group would be required to revise the basis for making the allowance and its future results would be affected.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Warranty provision

Provision for product warranties given by the Group for certain products is recognised based on sales volume and past experience of the level of repairs, discounted to their present values as appropriate.

Supplementary employee retirement benefits

The Group has recognised the supplementary employee retirement benefit obligations as a liability. The Group's obligations are determined using actuarial valuations, which rely on various assumptions and conditions. The assumptions used in actuarial valuation reports include discount rates, future salary increases, mortality rates, the growth rate of the benefits and other factors. The deviation from the actual result and the actuary result will affect the accuracy of related accounting estimates. Even though management is of the view that the above assumptions are reasonable, any changes in condition of assumptions will still affect the liability amount of supplementary employee retirement benefit obligations. All assumptions are reviewed at each reporting date.

5. OPERATING SEGMENT INFORMATION

The Group's revenue and contribution to consolidated results are mainly derived from 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 arrangement and performance assessment. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Geographical information

(a) *Revenue from external customers*

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Mainland China	10,436,639	12,721,967	16,751,965	3,261,549	4,711,097
Other countries	114,273	342,618	576,678	85,022	45,963
	10,550,912	13,064,585	17,328,643	3,346,571	4,757,060

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

(b) *Non-current assets*

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mainland China	4,844,640	4,535,675	6,031,323	5,978,027

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 during the Relevant Periods and the three months ended 31 March 2014.

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, 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:

		Year ended 31 December			Three months ended 31 March	
	Notes	2012	2013	2014	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue						
Design and integration		3,551,245	3,478,596	4,908,771	857,888	1,346,443
Equipment manufacturing		4,157,659	4,960,899	5,870,725	1,365,973	1,730,041
System implementation		2,842,008	4,167,894	5,368,037	1,015,478	1,255,408
Others	(i)	—	457,196	1,181,110	107,232	425,168
		10,550,912	13,064,585	17,328,643	3,346,571	4,757,060
Other income and gains						
Interest income	8	33,784	21,990	49,295	9,367	20,342
Government grants	8	94,043	111,351	124,949	19,826	15,073
Gain on disposal of a non-current asset held for sale	8, 28	—	—	393,904	—	—
Gains on disposal of items of property, plant and equipment	8	1,278	4,691	25,615	—	211
Gains on disposal of prepaid land lease payments	8	788	6,884	—	—	—
Gains on disposal of a subsidiary and an associate	8	—	—	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	8, 38(i)	—	—	135,165	—	—
Others		10,372	9,749	18,894	3,390	4,573
		140,265	154,665	756,924	32,583	40,199

Note:

(i) Others mainly included revenue from municipal engineering and the provision of related construction services and commodities trading.

7. FINANCE COSTS

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest on bank loans and other borrowings wholly repayable:					
Within five years	59,503	17,726	19,907	5,327	5,755
Above five years	47	48	25	4	5
Interest on discounted bills receivable	1,649	1,611	805	143	140
Interest capitalised	(15,186)	(5,003)	(6,001)	(1,905)	—
	46,013	14,382	14,736	3,569	5,900

8. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December			Three months ended 31 March	
		2012	2013	2014	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cost of sales		7,650,319	9,625,281	13,134,039	2,442,893	3,479,624
Depreciation of items of property, plant and equipment	14, (a)	169,672	176,219	343,543	72,613	89,706
Amortisation of prepaid land lease payments	16	31,491	31,650	34,813	8,650	11,028
Amortisation of other intangible assets	18	61,987	53,650	35,658	8,835	33,397
Total depreciation and amortisation		263,150	261,519	414,014	90,098	134,131
Impairment of trade receivables	26	45,102	42,505	12,121	4,223	8,408
Impairment/(reversal of impairment) of deposits and other receivables	27	1,996	6,695	(178)	(247)	8,002

	Notes	Year ended 31 December			Three months ended 31 March	
		2012	2013	2014	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Impairment/(reversal of impairment) of inventories		(727)	17,600	2,342	(2)	76
Provision/(reversal) for foreseeable losses on contracts		(808)	93	3,891	3,229	4,513
Lease expenses under operating leases of land and buildings	(b)	33,087	63,231	71,412	11,769	11,003
Auditors' remuneration		1,200	1,200	2,400	321	629
Employee benefit expenses (including Directors' and supervisors' remuneration):						
Wages, salaries and allowances	(c)	1,059,383	1,192,287	1,434,076	271,670	367,515
Retirement benefit costs						
- Defined contribution retirement schemes		183,944	245,225	290,552	69,547	87,212
- Defined benefit retirement schemes and early retirement costs	35(c)	101,596	71,257	46,947	17,631	14,573
Total retirement benefit costs		285,540	316,482	337,499	87,178	101,785
Welfare and other expenses		357,793	385,473	418,758	85,323	121,815
Research and development costs	(d)	443,748	585,231	749,873	102,893	150,970
Government grants	6, (e)	(94,043)	(111,351)	(124,949)	(19,826)	(15,073)
Product warranty provision:						
Additional provision	33	86,746	39,194	37,214	7,479	15,298
Reversal of provision	33	(226)	(85,185)	(305)	—	—

	Notes	Year ended 31 December			Three months ended 31 March	
		2012	2013	2014	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
		86,520	(45,991)	36,909	7,479	15,298
Interest income	6	(33,784)	(21,990)	(49,295)	(9,367)	(20,342)
Losses on disposal of other intangible assets		—	106,876	—	—	—
Write-off of deferred development costs	18	—	4,295	28,304	25,376	—
Loss on disposal of an available-for-sale investment		—	883	—	—	—
Gain on disposal of a non-current asset held for sale	6	—	—	(393,904)	—	—
Losses/(gains) on disposal of items of property, plant and equipment		(1,278)	(4,691)	(25,615)	226	(211)
Gains on disposal of prepaid land lease payments	6	(788)	(6,884)	—	—	—
Gains on disposal of a subsidiary and an associate	6	—	—	(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	6	—	—	(135,165)	—	—
Losses/(gains) on forward commodity purchase contracts		(9,842)	15,987	14,391	14,048	3,176
Foreign exchange differences, net		1,966	18,657	3,132	(206)	1,653

Notes:

(a) Depreciations of approximately RMB119,000,000, RMB127,573,000, RMB255,234,000, RMB54,830,000 (unaudited) and RMB76,162,000 are included in cost of sales in the consolidated statements of comprehensive income for each of the years ended 31 December 2012, 2013 and 2014, and each of the three months ended 31 March 2014 and 2015 respectively.

(b) Lease expenses of approximately RMB16,594,000, RMB28,493,000, RMB38,683,000, RMB9,061,000 (unaudited) and RMB9,678,000 are included in cost of sales in the consolidated statements of comprehensive income for each of the years ended 31 December 2012, 2013 and 2014, and each of the three months ended 31 March 2014 and 2015 respectively.

(c) Employee benefit expenses of approximately RMB840,826,000, RMB910,645,000, RMB1,019,996,000, RMB220,968,000 (unaudited) and RMB270,582,000 are included in cost of sales in the consolidated statements of comprehensive income for each of the years ended 31 December 2012, 2013 and 2014, and each of the three months ended 31 March 2014 and 2015 respectively.

(d) Employee benefit expenses of approximately RMB244,363,000, RMB287,131,000, RMB338,061,000, RMB56,170,000 (unaudited) and RMB98,676,000 are included in research and development costs for each of the years ended 31 December 2012, 2013 and 2014, and each of the three months ended 31 March 2014 and 2015, respectively.

(e) Most of government grants have been received for conducting research activities. The government grants released when research and development costs incurred to which they relate. Government grants received for which related expenditures have not yet been undertaken are included in government grants in the consolidated statements of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and supervisors' remuneration

The aggregate amounts of remuneration of the Directors and supervisors of the Company during the Relevant Periods and the three months ended 31 March 2014, disclosed pursuant to the Hong Kong Listing Rules, are as follows:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Fees	109	296	222	50	107
Other emoluments:					
- Salaries, allowances and benefits in kind	2,435	2,490	2,398	671	429
- Performance-related bonuses	1,675	2,106	1,905	474	196
- Pension scheme contributions	264	386	416	105	109
	4,483	5,278	4,941	1,300	841

The names of the Directors and supervisors and their remuneration for the Relevant Periods and the three months ended 31 March 2014 are as follows:

Year ended 31 December 2012

	Notes	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Total remuneration
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors						
Mr. Zhou Zhiliang (周志亮) (Chief executive)	(i)	—	227	388	33	648
Ms. Li Yanqing (李燕青) . .		—	241	388	33	662
Mr. Miu Weizhong (繆偉忠)	(ii) (vii)	—	—	—	—	—
Mr. Shi Weizhong (施衛忠)	(iii)	—	224	333	33	590
		—	692	1,109	99	1,900
Non-executive Directors						
Mr. Xiao Yuze (肖玉澤) . . .		—	426	64	33	523
Mr. Chen Hong (陳紅)	(iv)	—	427	64	33	524
		—	853	128	66	1,047
Independent Non-executive Directors						
Mr. Tong Bao'an (佟保安)		99	—	—	—	99
Mr. Bai Jingwu (白敬武) . .	(vi)	10	—	—	—	10
Mr. Zhang Wei (張偉).	(vii)	—	—	—	—	—
		109	—	—	—	109
Supervisors						
Mr. Tang Sujun (唐蘇軍) . .		—	224	340	33	597
Ms. Yang Hongyan (楊鴻雁)	(vii)	—	—	—	—	—
Mr. Luo Xiaoping (羅小平).	(vii)	—	—	—	—	—
Mr. Chen Shiyou (陳十遊) .	(vii)	—	—	—	—	—
Mr. Geng Xin (耿新)		—	333	49	33	415
Mr. Li Jingxiang (李景祥) .		—	333	49	33	415
		—	890	438	99	1,427
		109	2,435	1,675	264	4,483

Year ended 31 December 2013

	Notes	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Total remuneration
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors						
Mr. Zhou Zhiliang (周志亮) (Chief executive)		—	263	432	52	747
Ms. Li Yanqing (李燕青)		—	263	432	52	747
Mr. Shi Weizhong (施衛忠)		—	241	323	51	615
Mr. Chen Hong (陳紅)	(iv)	—	294	246	41	581
		—	1,061	1,433	196	2,690
Non-executive Director						
Mr. Xiao Yuze (肖玉澤)		—	430	29	54	513
		—	430	29	54	513
Independent Non-executive Directors						
Mr. Tong Bao'an (佟保安)		132	—	—	—	132
Mr. Bai Jingwu (白敬武)		164	—	—	—	164
Mr. Zhang Wei (張偉)	(vii)	—	—	—	—	—
		296	—	—	—	296
Supervisors						
Mr. Tang Sujun (唐蘇軍)		—	241	357	36	634
Ms. Yang Hongyan (楊鴻雁)	(vii)	—	—	—	—	—
Mr. Luo Xiaoping (羅小平)	(vii)	—	—	—	—	—
Mr. Chen Shiyou (陳十遊)	(vii)	—	—	—	—	—
Mr. Geng Xin(耿新)		—	477	169	50	696
Mr. Li Jingxiang (李景祥)		—	281	118	50	449
		—	999	644	136	1,779
		296	2,490	2,106	386	5,278

Year ended 31 December 2014

	Notes	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Total remuneration
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors						
Mr. Zhou Zhiliang (周志亮) (Chief executive)		—	268	432	62	762
Ms. Li Yanqing (李燕青)		—	268	432	71	771
Mr. Shi Weizhong (施衛忠)		—	246	323	68	637
Mr. Chen Hong (陳紅)		—	246	246	52	544
		—	1,028	1,433	253	2,714
Non-executive Director						
Mr. Xiao Yuze (肖玉澤)	(v)	—	108	29	14	151
		—	108	29	14	151
Independent Non-executive Directors						
Mr. Tong Bao'an (佟保安)		112	—	—	—	112
Mr. Bai Jingwu (白敬武)		110	—	—	—	110
Mr. Zhang Wei (張偉)	(vii)	—	—	—	—	—
		222	—	—	—	222
Supervisors						
Mr. Tang Sujun (唐蘇軍)		—	246	357	40	643
Ms. Yang Hongyan (楊鴻雁)	(vii)	—	—	—	—	—
Mr. Luo Xiaoping (羅小平)	(vii)	—	—	—	—	—
Mr. Chen Shiyou (陳十遊)	(vii)	—	—	—	—	—
Mr. Geng Xin (耿新)		—	700	55	52	807
Mr. Li Jingxiang (李景祥)		—	316	31	57	404
		—	1,262	443	149	1,854
		222	2,398	1,905	416	4,941

Three months ended 31 March 2014

	Notes	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Total remuneration
		RMB'000 (Unaudited)	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Executive Directors						
Mr. Zhou Zhiliang (周志亮) (Chief executive)		—	66	108	14	188
Ms. Li Yanqing (李燕青)		—	66	108	14	188
Mr. Shi Weizhong (施衛忠)		—	61	81	13	155
Mr. Chen Hong (陳紅)		—	61	62	14	137
		—	254	359	55	668
Non-executive Director						
Mr. Xiao Yuze (肖玉澤)	(v)	—	108	7	14	129
		—	108	7	14	129
Independent Non-executive Directors						
Mr. Tong Bao'an (佟保安)		25	—	—	—	25
Mr. Bai Jingwu (白敬武)		25	—	—	—	25
Mr. Zhang Wei (張偉)	(vii)	—	—	—	—	—
		50	—	—	—	50
Supervisors						
Mr. Tang Sujun (唐蘇軍)		—	61	89	9	159
Ms. Yang Hongyan (楊鴻雁)	(vii)	—	—	—	—	—
Mr. Luo Xiaoping (羅小平)	(vii)	—	—	—	—	—
Mr. Chen Shiyou (陳十遊)	(vii)	—	—	—	—	—
Mr. Geng Xin (耿新)		—	164	11	13	188
Mr. Li Jingxiang (李景祥)		—	84	8	14	106
		—	309	108	36	453
		50	671	474	105	1,300

Three months ended 31 March 2015

	Notes	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Total remuneration
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors						
Mr. Zhou Zhiliang (周志亮) (Chief executive).		—	53	40	17	110
Ms. Li Yanqing (李燕青) . .		—	53	40	21	114
Mr. Shi Weizhong (施衛忠).		—	49	36	19	104
Mr. Chen Hong (陳紅)		—	49	36	13	98
		—	204	152	70	426
Independent Non-executive Directors						
Mr. Tong Bao'an (佟保安) .		28	—	—	—	28
Mr. Bai Jingwu (白敬武) . .		28	—	—	—	28
Mr. Zhang Wei (張偉)		51	—	—	—	51
		107	—	—	—	107
Supervisors						
Mr. Tang Sujun (唐蘇軍) . .		—	49	36	10	95
Ms. Yang Hongyan (楊鴻雁)	(vii)	—	—	—	—	—
Mr. Luo Xiaoping (羅小平)	(vii)	—	—	—	—	—
Mr. Chen Shiyou (陳十遊) .	(vii)	—	—	—	—	—
Mr. Geng Xin (耿新)		—	90	8	14	112
Mr. Li Jingxiang (李景祥) .		—	86	—	15	101
		—	225	44	39	308
		107	429	196	109	841

Notes:

(i) Mr. Zhou Zhiliang was appointed as an executive director and the chief executive of the Company effective from 31 January 2012.

(ii) Mr. Miu Weizhong resigned as executive director effective from 7 January 2012.

(iii) Mr. Shi Weizhong was appointed as an executive director of the Company effective from 9 January 2012.

(iv) Mr. Chen Hong was appointed as a non-executive Director from 29 December 2010 to 18 April 2013 and was appointed as executive director effective from 18 April 2013.

(v) Mr. Xiao Yuze was resigned as a non-executive director effective from April 2014 due to retirement.

(vi) Mr. Bai Jingwu was appointed as an independent non-executive director of the Company effective from 9 August 2012.

(vii) Those Directors and supervisors received no emoluments for the Relevant Periods and the three months ended 31 March 2014 because they did not receive any remuneration in the capacity as supervisors.

(b) **Five highest paid employees**

An analysis of the headcounts of the five highest paid employees within the Group for the Relevant Periods and the three months ended 31 March 2014 is as follows:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
				(Unaudited)	
Non-director and non-supervisor employees	5	5	5	5	5

Details of the Directors' and supervisors' remuneration are set out above.

Details of the remuneration of the above non-director and non-supervisor, highest paid employees are as follows:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, allowances and benefits in kind	4,825	4,558	5,000	1,299	1,256
Performance-related bonuses	2,931	2,074	3,377	873	1,419
Pension scheme contributions	161	354	372	66	60
	7,917	6,986	8,749	2,238	2,735

The number of non-director and non-supervisor, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
				(Unaudited)	
HK$1,000,001 to HK$2,000,000	3	4	3	5	5
HK$2,000,001 to HK$3,000,000	2	1	2	—	—
	5	5	5	5	5

During the Relevant Periods and the three months ended 31 March 2014, no Directors or supervisors, or none of the non-director and non-supervisor, highest paid individuals waived or agreed to waive any emoluments. No emoluments were paid by the Group to the Directors and supervisors or any of the non-director and non-supervisor, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX EXPENSE

The Company and certain subsidiaries have been accredited as "high and new technology enterprise" and were entitled to a preferential income tax rate of 15% for the Relevant Periods and the three months ended 31 March 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 2015, the Company and certain subsidiaries submitted applications to renew the certificates of "high and new technology enterprise" for another three years of 2015, 2016 and 2017. Based on the self-assessments, the Directors consider that the Company and those subsidiaries should be able to obtain the renewal of certificates of "high and new technology enterprise" from relevant authorities and to continuously be entitled to the preferential tax rate of 15% during the years from 2015 to 2017.

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 of 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 Relevant Periods and the three months ended 31 March 2014.

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Current income tax - Mainland China:					
Charge for the year/period	188,968	216,213	381,259	91,292	147,771
Underprovision/(overprovision) for the prior periods	(5,126)	16,832	6,338	180	9,778
Deferred income tax (note 23)	(34,981)	748	45,403	(1,785)	(41,169)
Tax charge for the year/period	148,861	233,793	433,000	89,687	116,380

A reconciliation of the income tax expenses applicable to profit before tax at the statutory income tax rate to the income tax expense at the Group's effective income tax rate for the Relevant Periods and the three months ended 31 March 2014 is as follows:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before tax	1,236,196	1,472,707	2,472,915	482,732	693,162
Income tax charge at the statutory income tax rate	309,049	368,177	618,229	120,683	173,290
Effect of the preferential income tax rate for some entities	(107,856)	(132,082)	(148,460)	(29,022)	(61,762)
Income not subject to tax	(114)	(581)	(33,791)	(51)	(76)
Expenses not deductible for tax purposes	11,035	25,308	58,908	10,141	7,427
Tax losses and deductible temporary differences not recognised	817	24,510	5,228	6,368	3,587
Utilisation of tax losses and deductible temporary differences not recognised in previous periods	(2,478)	(4,995)	(6,663)	(1,520)	(3,883)
Additional tax deduction for research and development costs	(19,725)	(23,427)	(21,476)	(4,978)	(5,238)
Tax effect of share of profits of joint ventures and associates	(37,115)	(40,268)	(45,634)	(12,204)	(3,137)
Adjustments in respect of current tax of previous periods	(5,126)	16,832	6,338	180	9,778
Others	374	319	320	90	(5,496)
Tax charge for the year/period at the effective rate	148,861	233,793	433,000	89,687	116,380

The share of tax attributable to associates and joint ventures amounting to RMB28,556,000, RMB30,228,000, RMB35,971,000, RMB7,819,000 (unaudited) and RMB1,825,000 is included in "share of profits of joint ventures and associates" in profit or loss for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2014 and 2015, respectively.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015 includes profit of RMB74,922,000, RMB72,929,000, RMB15,501,000 and RMB96,329,000 respectively, which have been dealt with in the financial statements of the Company.

12. DIVIDENDS

The dividends during the Relevant Periods and the three months ended 31 March 2014 are set out below:

		Year ended 31 December			Three months ended 31 March	
	Note	2012	2013	2014	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Dividends declared to owners of the parent		—	318,687	250,691	—	—
Special dividend declared to owners of the parent	(i)	—	—	—	—	3,227,738
		—	318,687	250,691	—	3,227,738

(i) Pursuant to a resolution passed by the shareholders of the Company on 6 February 2015, which was amended and supplemented by the resolution of the shareholders of the Company passed on 21 May 2015, all the shareholders of the Company prior to the completion of the listing of shares of the Company are entitled to a special dividend, which represents an amount equal to the distributable retained profits of the Group attributable to the owners of the Company earned and accrued up to 30 June 2015.

The first part of the special dividend representing the distributable retained profits of the Group attributable to the owners of the Company up to 31 December 2014 (the "First Special Dividend") is the lower of the retained profits of the Group attributable to the owners of Company as at 31 December 2014, after deducting any appropriation to the statutory and discretionary reserve funds, determined in accordance with PRC GAAP and IFRSs. The final amount of the First Special Dividend of RMB3,227.7 million was approved by the shareholders of the Company on 21 May 2015.

The second part of the special dividend representing the distributable net profits of the Group attributable to the owners of the Company generated in the period from 1 January 2015 to 30 June 2015 (the "Second Special Dividend") is expected to be the lower of the distributable net profits of the Group attributable to the owners of the Company during the period from 1 January 2015 to 30 June 2015, after deducting any appropriation to the statutory and discretionary reserve funds, determined in accordance with PRC GAAP and IFRSs. The Company will arrange a special audit of the consolidated financial statements of the Company for the six months ended 30 June 2015 and expects to pay the Second Special Dividend within six months after the Listing of shares of the Company and will make an announcement regarding the final amount of the Second Special Dividend before making payment.

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

The calculation of basic earnings per share amounts is based on the profit attributable to owners of the parent and the weighted average number of ordinary shares in issue during the Relevant Periods and the three months ended 31 March 2014.

The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods and the three months ended 31 March 2014.

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Earnings:					
Profit for the year attributable to owners of the parent	1,067,669	1,260,459	2,033,469	391,948	539,262

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	'000	*'000*	*'000*	*'000*	*'000*
				(Unaudited)	
Number of shares:					
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	5,581,674	6,475,414	7,000,000	7,000,000	7,000,000

Note:

For the purpose of presenting earnings per share, the weighted average number of ordinary shares for each of the years ended 31 December 2012 and 2013 was determined by taking into consideration the issuance of shares by capitalisation of retained profits of RMB1,081.7 million had been completed since the beginning of each of the Relevant Periods and the three months ended 31 March 2014.

14. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2012

	Buildings	Machinery	Motor vehicles	Electronic equipment and others	Construction in progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2012	1,205,915	473,747	246,133	261,365	709,685	7,441	2,904,286
Additions	6,486	64,632	36,164	58,008	137,093	1,464	303,847
Disposals	(1,882)	(12,707)	(30,176)	(4,198)	—	—	(48,963)
Transfers	13,166	—	—	—	(13,166)	—	—
At 31 December 2012	1,223,685	525,672	252,121	315,175	833,612	8,905	3,159,170
Accumulated depreciation and impairment:							
At 1 January 2012	(323,773)	(233,498)	(95,209)	(200,338)	—	—	(852,818)
Depreciation charge for the year (note 8)	(38,066)	(54,216)	(28,928)	(46,291)	—	(2,171)	(169,672)
Disposals	1,349	8,513	17,190	3,533	—	—	30,585
At 31 December 2012	(360,490)	(279,201)	(106,947)	(243,096)	—	(2,171)	(991,905)
Net carrying amount:							
At 31 December 2012	863,195	246,471	145,174	72,079	833,612	6,734	2,167,265
At 1 January 2012	882,142	240,249	150,924	61,027	709,685	7,441	2,051,468

Group

31 December 2013

	Buildings	Machinery	Motor vehicles	Electronic equipment and others	Construction in progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2013	1,223,685	525,672	252,121	315,175	833,612	8,905	3,159,170
Additions	48,453	33,041	35,785	56,121	258,703	6,404	438,507
Disposals	(19,499)	(19,602)	(14,153)	(5,957)	—	—	(59,211)
Transfers	735,894	10,425	—	—	(746,319)	—	—
Transferred to a non-current asset held for sale (note 28)	(735,894)	—	—	—	—	—	(735,894)
At 31 December 2013	1,252,639	549,536	273,753	365,339	345,996	15,309	2,802,572
Accumulated depreciation and impairment:							
At 1 January 2013	(360,490)	(279,201)	(106,947)	(243,096)	—	(2,171)	(991,905)
Depreciation charge for the year (note 8)	(37,624)	(48,014)	(29,809)	(56,906)	—	(3,866)	(176,219)
Disposals	14,492	11,495	9,045	5,403	—	—	40,435
At 31 December 2013	(383,622)	(315,720)	(127,711)	(294,599)	—	(6,037)	(1,127,689)
Net carrying amount:							
At 31 December 2013	869,017	233,816	146,042	70,740	345,996	9,272	1,674,883
At 1 January 2013	863,195	246,471	145,174	72,079	833,612	6,734	2,167,265

Group

31 December 2014

	Buildings	Machinery	Motor vehicles	Electronic equipment and others	Construction in progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2014	1,252,639	549,536	273,753	365,339	345,996	15,309	2,802,572
Additions	165,636	14,616	39,819	114,012	840,946	69	1,175,098
Acquisition of subsidiaries (note 38)	160,658	16,287	7,281	150,775	—	4,384	339,385
Disposals	(30,401)	(24,835)	(19,018)	(26,757)	—	—	(101,011)
Disposal of a subsidiary	—	(249)	(194)	—	—	—	(443)
Transfers	1,126,929	—	—	507	(1,127,436)	—	—
At 31 December 2014	2,675,461	555,355	301,641	603,876	59,506	19,762	4,215,601
Accumulated depreciation and impairment:							
At 1 January 2014	(383,622)	(315,720)	(127,711)	(294,599)	—	(6,037)	(1,127,689)
Depreciation charge for the year (note 8)	(105,067)	(87,195)	(41,117)	(104,182)	—	(5,982)	(343,543)
Acquisition of subsidiaries (note 38)	(2,735)	(11,577)	(1,753)	(46,373)	—	—	(62,438)
Disposals	13,635	19,184	13,551	21,197	—	—	67,567
Disposal of a subsidiary	—	215	64	—	—	—	279
At 31 December 2014	(477,789)	(395,093)	(156,966)	(423,957)	—	(12,019)	(1,465,824)
Net carrying amount:							
At 31 December 2014	2,197,672	160,262	144,675	179,919	59,506	7,743	2,749,777
At 1 January 2014	869,017	233,816	146,042	70,740	345,996	9,272	1,674,883

Group

31 March 2015

	Buildings	Machinery	Motor vehicles	Electronic equipment and others	Construction in progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2015	2,675,461	555,355	301,641	603,876	59,506	19,762	4,215,601
Additions	1,243	13,313	8,619	28,054	33,576	3,181	87,986
Disposals	—	(4,428)	(723)	(80)	—	—	(5,231)
Transfers	—	876	—	188	(1,064)	—	—
At 31 March 2015	2,676,704	565,116	309,537	632,038	92,018	22,943	4,298,356
Accumulated depreciation and impairment:							
At 1 January 2015	(477,789)	(395,093)	(156,966)	(423,957)	—	(12,019)	(1,465,824)
Depreciation charge for the period (note 8)	(25,278)	(21,928)	(12,761)	(26,523)	—	(3,216)	(89,706)
Disposals	—	3,189	693	57	—	—	3,939
At 31 March 2015	(503,067)	(413,832)	(169,034)	(450,423)	—	(15,235)	(1,551,591)
Net carrying amount:							
At 31 March 2015	2,173,637	151,284	140,503	181,615	92,018	7,708	2,746,765
At 1 January 2015	2,197,672	160,262	144,675	179,919	59,506	7,743	2,749,777

Company

31 December 2012

	Buildings	Machinery	Motor vehicles	Electronic equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2012	170,899	31,954	69,815	2,412	27,902	302,982
Additions	738	6,658	3,062	187	23,944	34,589
Disposals	—	(5,762)	(19,920)	(47)	—	(25,729)
At 31 December 2012	171,637	32,850	52,957	2,552	51,846	311,842
Accumulated depreciation and impairment:						
At 1 January 2012	(26,796)	(11,788)	(23,136)	(612)	—	(62,332)
Depreciation charge for the year	(5,671)	(8,290)	(8,152)	(336)	—	(22,449)
Disposals	—	3,610	8,907	23	—	12,540
At 31 December 2012	(32,467)	(16,468)	(22,381)	(925)	—	(72,241)
Net carrying amount:						
At 31 December 2012	139,170	16,382	30,576	1,627	51,846	239,601
At 1 January 2012	144,103	20,166	46,679	1,800	27,902	240,650

Company

31 December 2013

	Buildings	Machinery	Motor vehicles	Electronic equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2013	171,637	32,850	52,957	2,552	51,846	311,842
Additions	—	4,832	4,578	102	173,294	182,806
Disposals	—	(1,283)	(1,804)	(340)	—	(3,427)
Transfers	—	9,380	—	—	(9,380)	—
At 31 December 2013	171,637	45,779	55,731	2,314	215,760	491,221
Accumulated depreciation and impairment:						
At 1 January 2013	(32,467)	(16,468)	(22,381)	(925)	—	(72,241)
Depreciation charge for the year	(5,367)	(7,980)	(5,864)	(930)	—	(20,141)
Disposals	—	1,162	956	321	—	2,439
At 31 December 2013	(37,834)	(23,286)	(27,289)	(1,534)	—	(89,943)
Net carrying amount:						
At 31 December 2013	133,803	22,493	28,442	780	215,760	401,278
At 1 January 2013	139,170	16,382	30,576	1,627	51,846	239,601

Company

31 December 2014

	Buildings	Machinery	Motor vehicles	Electronic equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2014	171,637	45,779	55,731	2,314	215,760	491,221
Additions	2,762	4,770	670	3,743	746,713	758,658
Disposals	(476)	(374)	(886)	(1,066)	—	(2,802)
Transfers	939,083	—	—	—	(939,083)	—
Transferred to a subsidiary	(97,821)	(8,020)	(11,023)	(906)	—	(117,770)
Transferred to investment properties (note 15)	(866,768)	—	—	—	—	(866,768)
At 31 December 2014	148,417	42,155	44,492	4,085	23,390	262,539
Accumulated depreciation and impairment:						
At 1 January 2014	(37,834)	(23,286)	(27,289)	(1,534)	—	(89,943)
Depreciation charge for the year	(3,405)	(5,827)	(4,722)	(3,303)	—	(17,257)
Disposals	—	278	772	1,059	—	2,109
Transferred to a subsidiary	6,575	3,847	5,272	195	—	15,889
At 31 December 2014	(34,664)	(24,988)	(25,967)	(3,583)	—	(89,202)
Net carrying amount:						
At 31 December 2014	113,753	17,167	18,525	502	23,390	173,337
At 1 January 2014	133,803	22,493	28,442	780	215,760	401,278

Company

31 March 2015

	Buildings	Machinery	Motor vehicles	Electronic equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2015	148,417	42,155	44,492	4,085	23,390	262,539
Additions	—	—	—	1,510	7,955	9,465
Disposals	—	—	(136)	—	—	(136)
At 31 March 2015	148,417	42,155	44,356	5,595	31,345	271,868
Accumulated depreciation and impairment:						
At 1 January 2015	(34,664)	(24,988)	(25,967)	(3,583)	—	(89,202)
Depreciation charge for the period	(973)	(1,128)	(1,150)	(311)	—	(3,562)
Disposals	—	—	135	—	—	135
At 31 March 2015	(35,637)	(26,116)	(26,982)	(3,894)	—	(92,629)
Net carrying amount:						
At 31 March 2015	112,780	16,039	17,374	1,701	31,345	179,239
At 1 January 2015	113,753	17,167	18,525	502	23,390	173,337

At 31 December 2012, certain of the Group's construction in progress with a net carrying amount of approximately RMB711,610,000 were pledged to secure general banking facilities granted to the Group. No property, plant and equipment was pledged to secure general banking facilities granted to the Group at 31 December 2013, 31 December 2014 and 31 March 2015.

As at the date of this report, the Group and the Company are in the process of applying for the title certificates of certain of their buildings with an aggregate net carrying amount of approximately RMB1,182,715,000 and RMB71,027,000, respectively, as at 31 March 2015. The Directors are of the view that the Group and the Company are entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matters will not have any significant impact on the Group and the Company's financial position as at 31 March 2015.

15. INVESTMENT PROPERTIES

Company

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of the year/period	31,738	30,966	30,194	896,190
Transferred from property, plant and equipment (note 14)	—	—	866,768	—
Amortisation for the year/period	(772)	(772)	(772)	(5,260)
Carrying amount at end of the year/period	30,966	30,194	896,190	890,930

The Company's investment properties were valued on 31 December 2012, 2013 and 2014 and 31 March 2015 by China Assets Appraisal Co., Ltd. (中資資產評估有限公司), an independent professionally qualified valuer, at approximately RMB37,242,000, RMB35,623,000, RMB1,779,517,000 and RMB1,803,080,000, respectively, on an open market, existing use basis.

The Company's investment properties are leased or intended for leasing to the Company's subsidiaries under operating leases, the further summary details of which are included in note 42.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Company's investment properties:

31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commercial property	—	—	37,242	37,242

31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commercial property	—	—	35,623	35,623

31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commercial property	—	—	33,210	33,210
Industrial property	—	—	1,746,307	1,746,307
	—	—	1,779,517	1,779,517

31 March 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commercial property	—	—	33,210	33,210
Industrial property	—	—	1,769,870	1,769,870
	—	—	1,803,080	1,803,080

During the Relevant Periods and the three months period ended 31 March 2014, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Fair value of the properties was determined using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property.

16. PREPAID LAND LEASE PAYMENTS

Group

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of the year/period	1,367,312	1,641,789	1,348,176	2,058,910
Additions	310,837	86,317	745,547	—
Disposals	(4,869)	(4,361)	—	—
Transferred to a non-current asset held for sale (note 28)	—	(343,919)	—	—
Amortisation for the year/period (note 8)	(31,491)	(31,650)	(34,813)	(11,028)
Carrying amount at end of the year/period	1,641,789	1,348,176	2,058,910	2,047,882
Portion classified as current assets	(31,350)	(34,183)	(47,330)	(47,330)
Non-current portion	1,610,439	1,313,993	2,011,580	2,000,552

Company

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of the year/period	87,759	390,280	474,718	1,162,966
Additions	304,400	86,317	703,515	—
Amortisation for the year/period	(1,879)	(1,879)	(15,267)	(5,950)
Carrying amount at end of the year/period	390,280	474,718	1,162,966	1,157,016
Portion classified as current assets	(1,879)	(15,267)	(24,041)	(24,041)
Non-current portion	388,401	459,451	1,138,925	1,132,975

The leasehold land is situated in Mainland China and is held on a lease of 50 years.

As at the date of this report, the Group and the Company are in the process of applying for the title certificates of the land with an aggregate net carrying amount of approximately RMB614,724,000 and RMB614,724,000, respectively, as at 31 March 2015. The Directors are of the view that the Group and the Company are entitled to lawfully and validly occupy and use the above-mentioned lands. The Directors are also of the opinion that the aforesaid matters will not have any significant impact on the Group and the Company's financial position as at 31 March 2015.

17. GOODWILL

Group

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost and carrying amount at beginning of the year/period	330	330	330	236,699
Acquisitions of subsidiaries (note 38)	—	—	236,369	—
Cost and carrying amount at end of the year/period	330	330	236,699	236,699

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Design and integration cash-generating unit; and
- Equipment manufacturing cash-generating unit; and
- System implementation and construction cash-generating unit

Design and integration cash-generating unit

The recoverable amount of the design and integration cash-generating unit has been determined based on a value in use calculation using cash flow projections based on a financial budget covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 12.88%. The carrying amount of goodwill allocated to the design and integration cash-generating unit was RMB201,027,000 and RMB201,027,000, respectively, as at 31 December 2014 and 31 March 2015.

Equipment manufacturing cash-generating unit

The recoverable amount of the equipment manufacturing cash-generating unit has been determined based on a value in use calculation using cash flow projections based on a financial budget covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13.27%. The carrying amount of goodwill allocated to the equipment manufacturing cash-generating unit was RMB3,866,000 and RMB3,866,000, respectively, as at 31 December 2014 and 31 March 2015.

System implementation and construction cash-generating unit

The recoverable amount of the system implementation and construction cash-generating unit has been determined based on a value in use calculation using cash flow projections based on a financial budget covering a five-year period approved by senior management. The discount rate applied to the cash flow projections ranges from 13.36% to 14.34%. The carrying amount of goodwill allocated to system implementation and construction cash-generating unit were RMB330,000, RMB330,000, RMB31,806,000 and RMB31,806,000 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.

Assumptions were used in the value in use calculation of the design and integration, equipment manufacturing, system implementation and construction cash-generating units for 31 December 2012, 2013 and 2014 and 31 March 2015. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvement and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development of design and integration, equipment manufacturing, system implementation and others and sales, discount rate and raw materials price inflation are consistent with external information sources.

18. OTHER INTANGIBLE ASSETS

Group

31 December 2012

	Patents and licences	Office software	Deferred development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2012	409,043	68,717	15,557	493,317
Additions	—	16,757	16,482	33,239
At 31 December 2012	409,043	85,474	32,039	526,556
Accumulated amortisation:				
At 1 January 2012	(131,178)	(39,678)	—	(170,856)
Amortisation for the year (note 8)	(50,458)	(11,529)	—	(61,987)
At 31 December 2012	(181,636)	(51,207)	—	(232,843)
Net carrying amount:				
At 31 December 2012	227,407	34,267	32,039	293,713
At 1 January 2012	277,865	29,039	15,557	322,461

Group

31 December 2013

	Patents and licences	Office software	Deferred development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2013	409,043	85,474	32,039	526,556
Additions	8,932	19,457	4,095	32,484
Disposals	(179,743)	(402)	—	(180,145)
Write-off (note 8)	—	—	(4,295)	(4,295)
At 31 December 2013	238,232	104,529	31,839	374,600
Accumulated amortisation:				
At 1 January 2013	(181,636)	(51,207)	—	(232,843)
Amortisation for the year (note 8)	(32,113)	(21,537)	—	(53,650)
Disposals	72,867	402	—	73,269
At 31 December 2013	(140,882)	(72,342)	—	(213,224)
Net carrying amount:				
At 31 December 2013	97,350	32,187	31,839	161,376
At 1 January 2013	227,407	34,267	32,039	293,713

Group

31 December 2014

	Patents, licences and technology know-how	Office software	Deferred development costs	Backlog	Customer relationship	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2014	238,232	104,529	31,839	—	—	374,600
Additions	90	37,245	6,141	—	—	43,476
Acquisitions of subsidiaries (note 38)	134,590	2,450	—	168,091	243,127	548,258
Write-off (note 8)	—	—	(28,304)	—	—	(28,304)
At 31 December 2014	372,912	144,224	9,676	168,091	243,127	938,030
Accumulated amortisation:						
At 1 January 2014	(140,882)	(72,342)	—	—	—	(213,224)
Amortisation for the year (note 8)	(13,543)	(22,115)	—	—	—	(35,658)
At 31 December 2014	(154,425)	(94,457)	—	—	—	(248,882)
Net carrying amount:						
At 31 December 2014	218,487	49,767	9,676	168,091	243,127	689,148
At 1 January 2014	97,350	32,187	31,839	—	—	161,376

Group

31 March 2015

	Patents, licences and technology know-how	Office software	Deferred development costs	Backlog	Customer relationship	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2015	372,912	144,224	9,676	168,091	243,127	938,030
Additions	—	2,626	150	—	—	2,776
At 31 March 2015	372,912	146,850	9,826	168,091	243,127	940,806
Accumulated amortisation:						
At 1 January 2015	(154,425)	(94,457)	—	—	—	(248,882)
Amortisation for the period (note 8)	(7,473)	(5,163)	—	(14,007)	(6,754)	(33,397)
At 31 March 2015	(161,898)	(99,620)	—	(14,007)	(6,754)	(282,279)
Net carrying amount:						
At 31 March 2015	211,014	47,230	9,826	154,084	236,373	658,527
At 1 January 2015	218,487	49,767	9,676	168,091	243,127	689,148

Company

Office software

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At beginning of the year/period	15,493	15,533	18,243	50,636
Additions	40	2,710	32,393	450
At end of the year/period	15,533	18,243	50,636	51,086
Accumulated amortisation:				
At beginning of the year/period	(3,269)	(5,957)	(8,574)	(13,401)
Amortisation for the year/period	(2,688)	(2,617)	(4,827)	(2,293)
At end of the year/period	(5,957)	(8,574)	(13,401)	(15,694)
Net carrying amount:				
At end of the year/period	9,576	9,669	37,235	35,392
At beginning of the year/period	12,224	9,576	9,669	37,235

19. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at cost	5,776,940	6,076,940	7,767,021	7,867,021

Particulars of the subsidiaries of the Company are set out in note 1 of this section.

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	Note	As at 31 December 2012	2013	2014	As at 31 March 2015
Percentage of equity interest held by non-controlling interests:					
CRSC CASCO	(i)	N/A	N/A	49.0%	49.0%

	Note	Year ended 31 December 2012	2013	2014	Three months ended 31 March 2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CRSC CASCO					
Profit for the year/period allocated to non-controlling interests	(i)	N/A	N/A	N/A	33,781
Dividends paid to non-controlling interests	(i)	N/A	N/A	N/A	—
Accumulated balances of non-controlling interests at the reporting dates:	(i)	N/A	N/A	552,601	586,382

The following table illustrates the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

CRSC CASCO

	As at 31 December 2014	As at 31 March 2015
	RMB'000	*RMB'000*
Current assets	2,006,776	2,228,217
Non-current assets	822,612	817,974
Current liabilities	1,603,040	1,750,915
Non-current liabilities	98,591	98,578

	As at 31 December 2014	As at 31 March 2015
	RMB'000	*RMB'000*
Revenue	N/A	481,001
Total expense	N/A	87,944
Profit for the period	N/A	68,941
Total comprehensive income for the period	N/A	68,941
Net cash flows from operating activities	N/A	52,972
Net cash flows from investing activities	N/A	48,417
Net cash flows from financing activities	N/A	—
Net increase in cash and cash equivalents	N/A	101,389

Note:

(i) The acquisition of CRSC CASCO was completed on 31 December 2014 as set out in note 38 of this section. Therefore, effective on 31 December 2014, CRSC CASCO was accounted for as a subsidiary of the Group and Alstom became a related party of the Group as a material non-controlling shareholder of the Group since then.

Accordingly, the consolidated statement of financial position of the Group as at 31 December 2014 includes the assets, liabilities and equity of CRSC CASCO as at the same date, while the consolidated statements of comprehensive income and cash flows of the Group during the periods before 31 December 2014 only share the results of CRSC CASCO under "Share of profits of joint ventures".

20. INVESTMENTS IN JOINT VENTURES

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	645,028	705,960	141,655	136,600

Company

	Note	As at 31 December			As at 31 March
		2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investment, at cost	(i)	390,036	390,036	—	—

The Group's trade receivables, prepayments and other receivables, trade payables, other payables and advances from customers balances with joint ventures are disclosed in notes 26, 27, 30, 31 and 32 of this section, respectively.

Particulars of the Group's joint ventures are as follows:

				Percentage of								
				2012		2013		2014		31 March 2015		
Company name	Note	Place and date of registration and place of business	Registered and paid-in capital	Ownership interest	Voting power	Ownership interest	Voting power	Ownership interest	Voting power	Ownership interest	Voting power	Principal activities
CRSC CASCO (卡斯柯信號有限公司)	(i)	The PRC/ Mainland China, 5 March 1986	RMB200,000,000	50%	50%	50%	50%	(i)	(i)	(i)	(i)	Design, integration and contracting of communication signal works, manufacturing and sale of communication signal equipment and related ancillary equipment
Xi'an-Schaltbau Electric Corp., Ltd. (Schaltbau) (西安沙爾特寶電氣有限公司)		The PRC/ Mainland China, 21 December 1994	USD4,400,000	50%	33%	50%	33%	50%	33%	50%	33%	Design, manufacturing and sale of mechanical equipment

Note:

(i) The acquisition of CRSC CASCO was completed on 31 December 2014 as set out in note 38 of this section. Therefore, effective on 31 December 2014, CRSC CASCO was changed from a former joint venture of the Group to a subsidiary of the Group.

The percentage of profit sharing is the same as the percentage of equity interest attributable to the Group.

The following table illustrates the summarised financial information in respect of CRSC CASCO adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

CRSC CASCO

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000* *Note (i)*
Cash and cash equivalents	216,043	294,317	N/A
Other current assets	1,061,916	1,269,905	N/A
Current assets	1,277,959	1,564,222	N/A
Non-current assets	854,948	867,095	N/A
Financial liabilities, excluding trade and other payables	1,025,435	1,230,909	N/A
Trade and other payables	25,533	20,994	N/A
Current liabilities	1,050,968	1,251,903	N/A
Non-current liabilities	4,985	10,986	N/A
Net assets	1,076,954	1,168,428	N/A
Reconciliation to the Group's interest in the joint venture:			
Proportion of the Group's ownership	50%	50%	N/A
Group's share of net assets of the joint venture	538,477	584,214	N/A
Carrying amount of the investment	538,477	584,214	N/A

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	1,550,815	1,816,245	1,907,157
Interest income	11,887	14,612	16,067
Depreciation and amortisation	(31,343)	(42,283)	(42,475)
Income tax expense	(32,871)	(38,098)	(44,161)
Profit and total comprehensive income for the year	187,520	211,474	219,597
Dividend received	31,700	60,000	68,000

Note:

(i) The acquisition of CRSC CASCO was completed on 31 December 2014 as set out in note 38 of this section. Therefore, effective on 31 December 2014, CRSC CASCO was accounted for as a subsidiary of the Group. Accordingly, the

consolidated statement of financial position of the Group as at 31 December 2014 includes the assets, liabilities and equity of CRSC CASCO as at the same date, while the consolidated statements of comprehensive income and cash flows of the Group during the periods before 31 December 2014 only share the results of CRSC CASCO under "Share of profits of joint ventures".

The following table illustrates the summarised financial information in respect of Schaltbau adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

Schaltbau

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	27,765	59,274	65,026	58,611
Other current assets	234,183	226,432	265,655	278,841
Current assets	261,948	285,706	330,681	337,452
Non-current assets	76,011	76,121	76,073	76,643
Financial liabilities, excluding trade and other payables	104,884	98,969	111,622	126,215
Trade and other payables	17,771	17,090	9,369	12,031
Current liabilities	122,655	116,059	120,991	138,246
Non-current liabilities	2,203	2,277	2,454	2,649
Net assets	213,101	243,491	283,309	273,200
Reconciliation to the Group's interest in the joint venture:				
Proportion of the Group's ownership	50%	50%	50%	50%
Group's share of net assets of the joint venture	106,551	121,746	141,655	136,600
Carrying amount of the investment	106,551	121,746	141,655	136,600

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	220,268	235,223	256,104	64,383
Interest income	85	123	228	44
Depreciation and amortisation	(732)	(442)	(454)	(113)
Interest expenses	(450)	(318)	(867)	(212)
Income tax expense	(11,911)	(11,589)	(14,297)	(2,738)
Profit and total comprehensive income for the year/period	52,675	57,390	66,817	19,889
Dividend received	13,500	13,500	13,500	15,000

The joint ventures had no contingent liabilities or capital commitments as at the end of each of the Relevant Periods.

21. INVESTMENTS IN ASSOCIATES

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	127,865	160,906	202,464	198,884

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investment, at cost	—	—	33,000	33,000

The Group's trade receivables, prepayments and other receivables, trade payables, other payables and advances from customers balances with associates are disclosed in notes 26, 27, 30 and 31 of this section.

Particulars of the Group's associates are as follows:

Company name	Notes	Place and date of registration and place of business	Registered and paid-in capital	Percentage of								Principal activities
				2012		2013		2014		31 March 2015		
				Ownership interest	Voting power	Ownership interest	Voting power	Ownership interest	Voting power	Ownership interest	Voting power	
Siemens Signalling Company Ltd.* ("西門子信號有限公司")		The PRC/ Mainland China, 25 December 1995	EUR5,220,000	30%	30%	30%	30%	30%	30%	30%	30%	Design, manufacturing and sale of communication signal equipment and related ancillary equipment
Shanghai DEUTA Electronic & Electrical Equipment Co., Ltd. * (上海德意達電子電器設備有限公司)		The PRC/ Mainland China, 20 December 1993	USD1,400,000	45%	45%	45%	45%	45%	45%	45%	45%	Manufacturing and sale of electronic and electrical equipment
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)		The PRC/ Mainland China, 27 June 1995	RMB10,768,000	49%	49%	49%	49%	49%	49%	49%	49%	Design, integration and contracting of signal control systems
Ansaldo Signal Transportation System (Beijing) Co., Ltd.* (安薩爾多信號系統(北京)有限公司)		The PRC/ Mainland China, 4 June 1997	EUR836,945	20%	20%	20%	20%	20%	20%	20%	20%	Design, manufacturing and sale of communication signal equipment and related ancillary equipment
Guizhou Jiantong Real Estate Development Co., Ltd.* (貴州建通房地產開發有限公司)	(i)	The PRC/ Mainland China, 7 July 2014	RMB80,000,000	—	—	—	—	30%	30%	30%	30%	Construction
Hunan Wanyuan Construction and Engineering Co., Ltd.* (Hunan Wanyuan) (湖南萬源建設工程有限公司)	(ii)	The PRC/ Mainland China, 12 August 2013	RMB65,000,000	—	—	49%	49%	—	—	—	—	Construction
Foshan China Construction Transportation Joint Investment Company Limited* (佛山中建交通聯合投資有限公司)	(iii)	The PRC/ Mainland China, 16 April 2014	RMB300,000,000	—	—	—	—	11%	11%	11%	11%	Construction

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

Notes:

(i) On 7 July 2014, Guizhou Jiantong Real Estate Development Co., Ltd. was established and the Group owned a 30% equity interest in the entity.

(ii) In 2013, the Group acquired 49% equity interests in Hunan Wanyuan. In 2014, the Group disposed of all of its equity interests in Hunan Wanyuan. Therefore, from the date of disposal, Hunan Wanyuan ceased to be accounted for as an associate of the Group.

(iii) Although the Group holds less than 20% of the voting power of Foshan China Construction Transportation Joint Investment Company Limited ("Foshan Investment Company"), the Group can exercise significant influence over Foshan Investment Company as the Group has appointed a director of Foshan Investment Company.

The percentage of profit sharing is the same as the percentage of equity interest attributable to the Group.

The aggregate financial information of the Group's associates that are not individually material is set out below:

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate carrying amount of the Group's investments in the associates	127,865	160,906	202,464	198,884

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of the associates' results:				
Profit for the year/period	28,364	26,640	39,327	2,605
Other comprehensive income	—	—	—	—
Total comprehensive income	28,364	26,640	39,327	2,605

The associates had no contingent liabilities or capital commitments as at the end of each of the Relevant Periods.

22. AVAILABLE-FOR-SALE INVESTMENTS

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity investments, at cost	4,032	2,359	2,359	2,359

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity investments, at cost	2,141	2,141	2,141	2,141

The unlisted equity investments are unlisted equity investments in entities established in Mainland China. The investments are measured at cost less impairment at each reporting date because they do not have quoted market prices in an active market and the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose them in the near future.

23. DEFERRED TAX ASSETS/LIABILITIES

The movements in deferred tax assets/liabilities during the Relevant Periods are as follows:

Group

	Notes	Year ended 31 December			Three months ended 31 March
		2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:					
At beginning of the year/period		118,649	153,630	152,882	115,405
Deferred tax credited/(charged) to profit or loss during the year/period	10	34,981	(748)	(45,403)	37,024
Acquisitions of subsidiaries	38	—	—	7,926	—
At end of the year/period		153,630	152,882	115,405	152,429

	Note	Year ended 31 December			Three months ended 31 March
		2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax liabilities:					
At beginning of the year/period		—	—	—	88,767
Deferred tax credited to profit during the year/period	10	—	—	—	(4,145)
Acquisitions of subsidiaries	38	—	—	88,767	—
At end of the year/period		—	—	88,767	84,622

Company

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
At beginning of the year/period	39,529	48,364	48,379	37,019
Deferred tax credited/(charged) to profit or loss during the year/period	8,835	15	(11,360)	1,151
At end of the year/period	48,364	48,379	37,019	38,170

The deferred tax assets/liabilities are attributed to the following items:

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
Provisions for impairment of receivables	58,644	63,736	68,141	73,966
Government grants received not yet recognised as income	6,883	3,393	3,521	2,722
Product warranty provision	26,740	14,896	17,150	19,038
Accrued but not paid salaries, wages and benefits	1,600	2,766	7,513	8,611
Loss on disposal of other intangible assets	—	14,311	14,311	14,311
Unrealised gains arising from intra-group transactions	11,219	8,222	1,911	29,854
Others	48,544	45,558	2,858	3,927
	153,630	152,882	115,405	152,429

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax liabilities:				
Excess of fair values of identifiable assets and liabilities over carrying values arising from acquisition of subsidiaries	—	—	88,767	84,622
Total	—	—	88,767	84,622

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
Provisions for impairment of receivables	31,787	32,443	28,048	29,199
Product warranty provision	8,864	8,816	8,792	8,792
Accrued but not paid salaries, wages and benefits	653	635	179	179
Others	7,060	6,485	—	—
	48,364	48,379	37,019	38,170

Deferred tax assets have not been recognised in respect of the following items:

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses	39,686	94,103	96,155	99,715
Deductible temporary differences	26,356	50,705	42,209	45,023
	66,042	144,808	138,364	144,738

The above tax losses are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

24. INVENTORIES

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Components and raw materials	617,241	370,044	752,147	664,674
Work in progress	284,580	316,906	342,047	432,648
Finished goods	1,127,957	1,359,544	1,766,298	1,593,272
Low value consumables	1,183	1,108	994	1,106
	2,030,961	2,047,602	2,861,486	2,691,700

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Components and raw materials	65,946	4,218	653	413

25. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from contract customers	2,029,889	2,305,799	3,110,558	3,741,444
Amounts due to contract customers	(1,792,323)	(2,269,439)	(3,136,332)	(3,779,776)
	237,566	36,360	(25,774)	(38,332)

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract costs incurred plus recognised profits less recognised losses to date	41,812,536	46,656,471	64,999,980	67,260,648
Less: Progress billings received and receivable	(41,574,970)	(46,620,111)	(65,025,754)	(67,298,980)
	237,566	36,360	(25,774)	(38,332)

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from contract customers	1,180,419	734,312	690,731	686,870
Amounts due to contract customers	(918,525)	(1,291,442)	(1,446,338)	(1,827,630)
	261,894	(557,130)	(755,607)	(1,140,760)

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract costs incurred plus recognised profits less recognised losses to date	26,706,527	25,528,377	32,411,048	33,966,865
Less: Progress billings received and receivable	(26,444,633)	(26,085,507)	(33,166,655)	(35,107,625)
	261,894	(557,130)	(755,607)	(1,140,760)

26. 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.

Group

	Note	As at 31 December			As at 31 March
		2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables		4,504,185	6,354,061	7,569,475	8,395,346
Provision for impairment		(374,805)	(414,778)	(433,582)	(441,973)
Trade receivables, net		4,129,380	5,939,283	7,135,893	7,953,373
Bills receivable		434,575	371,764	784,410	583,684
		4,563,955	6,311,047	7,920,303	8,537,057
Portion classified as non-current assets	(i)	(187,744)	(313,174)	(595,955)	(618,508)
Current portion		4,376,211	5,997,873	7,324,348	7,918,549

Company

	Note	As at 31 December			As at 31 March
		2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables		1,758,493	2,323,065	2,060,732	2,381,439
Provision for impairment		(211,848)	(213,513)	(185,442)	(185,171)
Trade receivables, net		1,546,645	2,109,552	1,875,290	2,196,268
Bills receivable		19,620	7,500	—	—
		1,566,265	2,117,052	1,875,290	2,196,268
Portion classified as non-current assets	(i)	(180,058)	(73,354)	(197,192)	(103,203)
Current portion		1,386,207	2,043,698	1,678,098	2,093,065

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 at the end of each of the Relevant Periods.

Certain bills receivables with carrying amounts of RMB8,000,000, RMB13,140,000, RMB15,803,000 and RMB11,828,000 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively, were pledged for issuance of certain bills payable.

At the end of each of the Relevant Periods, the amounts of retentions held by customers for contract works included in trade receivables are as follows:

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts of retentions in trade receivables	192,307	292,074	305,545	377,928

An aged analysis of the Group's and the Company's trade and bills receivables, based on the billing date and net of provision for impairment of trade receivables, as at the end of each of the Relevant Periods is as follows:

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	3,639,643	4,892,114	6,142,789	6,557,869
1 to 2 years	625,562	932,219	1,295,643	1,383,781
2 to 3 years	174,939	294,272	336,235	366,064
Over 3 years	123,811	192,442	145,636	229,343
	4,563,955	6,311,047	7,920,303	8,537,057

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,076,665	1,470,515	1,366,730	1,664,005
1 to 2 years	281,036	411,298	209,260	268,270
2 to 3 years	125,282	133,187	195,340	156,555
Over 3 years	83,282	102,052	103,960	107,438
	1,566,265	2,117,052	1,875,290	2,196,268

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

Group

	Note	Year ended 31 December			Three months ended 31 March
		2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period		331,067	374,805	414,778	433,582
Impairment losses recognised	8	74,855	52,722	54,059	33,693
Acquisition of subsidiaries		—	—	11,398	—
Amounts written off as uncollectible		(1,364)	(2,532)	(4,715)	(17)
Impairment losses reversed	8	(29,753)	(10,217)	(41,938)	(25,285)
At end of the year/period		374,805	414,778	433,582	441,973

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of RMB103,196,000, RMB114,109,000, RMB109,298,000 and RMB113,123,000 with aggregate carrying amounts before provision of RMB105,692,000, RMB179,074,000, RMB146,829,000 and RMB155,680,000 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.

Company

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	183,462	211,848	213,513	185,442
Impairment losses recognised	47,806	11,160	5,217	4,208
Amounts written off as uncollectible	—	(503)	(20)	—
Impairment losses reversed	(19,420)	(8,992)	(33,268)	(4,479)
At end of the year/period	211,848	213,513	185,442	185,171

Included in the above provisions for impairment of trade receivables are provisions for individually impaired trade receivables of RMB96,820,000, RMB89,092,000, RMB88,126,000 and RMB91,650,000 with aggregate carrying amounts before provision of RMB97,515,000, RMB90,936,000, RMB89,039,000 and RMB93,919,000 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.

The individually impaired trade receivables relate to customers that were in default in principal payments or were in financial difficulties and only a portion of the receivables is expected to be recovered.

An aged analysis of the trade receivables, that are neither individually nor collectively considered to be impaired, is as follows:

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	184,195	158,242	460,878	587,019
Past due but not impaired:				
Less than 6 months past due	47,844	63,885	43,159	45,630
Over 6 months past due	9,145	23,554	42,227	54,004
	241,184	245,681	546,264	686,653

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	191,285	229,408	522,085	635,377
Past due but not impaired:				
Less than 6 months past due	27,415	123,528	233,750	262,300
Over 6 months past due	27,368	171,991	216,878	238,399
	246,068	524,927	972,713	1,136,076

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The amounts due from CRSC Corporation Group, fellow subsidiaries, associates, associates of a fellow subsidiary, joint ventures, a non-controlling shareholder's affiliates and subsidiaries included in the trade receivables are as follows:

Group

	Note	As at 31 December			As at 31 March
		2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CRSC Corporation Group		130,629	149,794	147,048	142,244
Fellow subsidiaries		518	363	340	251
Associates		11,081	980	1,476	460
Associates of a fellow subsidiary		11,256	30,960	32,458	29,791
Joint ventures		65,073	24,348	999	710
A non-controlling shareholder's affiliates	(i)	—	—	374	—
Total		218,557	206,445	182,695	173,456

Note:

(i) The acquisition of CRSC CASCO was completed on 31 December 2014 as set out in note 38 of this section and Alstom became a related party of the Group from then on. Therefore, the amounts due from a non-controlling shareholder's affiliates as at 31 December 2014 were included in the outstanding balances with related parties.

The balances with a non-controlling shareholder's affiliates represented the unsettled amounts from sales of products to a non-controlling shareholder's affiliates in the past. Since Alstom became a related party of the Group effective on 31 December 2014, the transactions with Alstom for the year ended 31 December 2014 were not disclosed as related party transactions as set out in note 44(a) of this section.

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CRSC Corporation Group	85,717	75,065	76,666	47,514
Subsidiaries	21,110	9,378	4,965	5,332
Total	106,827	84,443	81,631	52,846

The above balances are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to other major customers of the Group.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Note	As at 31 December			As at 31 March
		2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and other receivables		338,290	632,392	1,185,347	1,619,793
Provision for impairment of deposits and other receivables		(13,870)	(20,474)	(16,525)	(24,527)
		324,420	611,918	1,168,822	1,595,266
Prepayments to suppliers		314,178	432,823	650,672	536,953
Deductible input VAT		11,597	15,783	37,992	37,754
Dividend receivables		13,990	13,500	6,750	21,185
Prepayments for acquisition of subsidiaries		—	518,227	—	—
Advances to a non-controlling shareholder		—	—	100,000	50,000
		664,185	1,592,251	1,964,236	2,241,158
Portion classified as non-current assets	(i)	(6,023)	(524,714)	(4,587)	(20,139)
Current portion		658,162	1,067,537	1,959,649	2,221,019

Company

	Note	As at 31 December			As at 31 March
		2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and other receivables		1,505,810	1,529,613	1,384,607	1,774,162
Provision for impairment of deposits and other receivables		(1,320)	(2,390)	(546)	(557)
		1,504,490	1,527,223	1,384,061	1,773,605
Prepayments to suppliers		329,826	668,928	170,616	171,066
Dividend receivables		—	830,000	830,000	3,159,950
Prepayments for acquisitions of subsidiaries		—	518,227	—	—
		1,834,316	3,544,378	2,384,677	5,104,621
Portion classified as non-current assets	(i)	(4,215)	(522,414)	(3,249)	(3,397)
Current portion		1,830,101	3,021,964	2,381,428	5,101,224

Note:

(i) The non-current portion of deposits and other receivables includes performance guarantee amounts held by customers and prepayments for acquisition of subsidiaries at the end of each of the Relevant Periods.

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

Group

	Note	Year ended 31 December			Three months ended 31 March
		2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period		11,888	13,870	20,474	16,525
Impairment losses recognised	8	2,986	10,764	3,490	8,166
Acquisitions of subsidiaries		—	—	6,706	—
Disposal of a subsidiary		—	—	(276)	—
Impairment losses reversed	8	(990)	(4,069)	(3,668)	(164)
Amount written off as uncollectible		(14)	(91)	(10,201)	—
At end of the year/period		13,870	20,474	16,525	24,527

Included in the above provisions for impairment of other receivables are provisions for individually impaired other receivables of RMB4,379,000, RMB4,118,000, RMB7,296,000 and RMB7,861,000 with aggregate carrying amounts before provisions of RMB6,787,000, RMB9,888,000, RMB7,486,000 and RMB10,515,000 as at 31 December 2012, 2013, 2014 and 31 March 2015, respectively.

Company

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	363	1,320	2,390	546
Impairment losses recognised	977	1,095	—	11
Impairment losses reversed	(20)	(25)	(1,844)	—
At end of the year/period	1,320	2,390	546	557

An aged analysis of the deposits and other receivables, that are neither individually nor collectively considered to be impaired, is as follows:

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	162,779	286,713	733,166	855,917
Past due but not impaired:				
Less than 6 months past due	68,146	89,294	64,053	62,927
Over 6 months past due	13,286	56,819	112,807	104,800
	244,211	432,826	910,026	1,023,644

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	1,436,637	1,380,749	1,289,033	1,658,073
Past due but not impaired:				
Less than 6 months past due	42,807	60,230	45,077	52,402
Over 6 months past due	6,083	53,276	40,705	55,866
	1,485,527	1,494,255	1,374,815	1,766,341

None of the balances except for the deposits and other receivables above is either past due or impaired, as they related to balances for which there was no recent history of default.

The amounts due from CRSC Corporation Group, fellow subsidiaries, associates, an associate of a fellow subsidiary, joint ventures, a non-controlling shareholder and its affiliates and subsidiaries included in prepayments, deposits and other receivables are as follows:

Group

	Note	As at 31 December			As at 31 March
		2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CRSC Corporation Group		161,940	55,456	43,440	51,755
Fellow subsidiaries		1,806	2,268	2,510	1,678
Associates		1,018	792	2,914	793
An associate of a fellow subsidiary		3,612	—	—	239
Joint ventures		22,595	57,116	5,212	5,738
A non-controlling shareholder and its affiliates	(i)	—	—	123,693	73,499
Total		190,971	115,632	177,769	133,702

Note:

(i) The acquisition of CRSC CASCO was completed on 31 December 2014 as set out in note 38 of this section and Alstom became a related party of the Group from then on. Therefore, the amounts due from a non-controlling shareholder's affiliates as at 31 December 2014 were included in the outstanding balances with related parties.

The balances with a non-controlling shareholder's affiliates represented the unsettled prepayments for purchase of goods and receipt of technical services to a non-controlling shareholder's affiliates in the past. Since Alstom became a related party of the Group effective on 31 December 2014, the transactions with Alstom for the year ended 31 December 2014 were not disclosed as related party transactions as set out in note 44(a) of this section.

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CRSC Corporation Group	134,940	9,109	1,440	2,891
A joint venture	10,787	48,040	—	—
Subsidiaries	1,474,646	2,585,157	2,563,470	4,529,692
Total	1,620,373	2,642,306	2,564,910	4,532,583

The above balances except advances to a non-controlling shareholder are unsecured, non-interest-bearing and have no fixed terms of settlement. Advances to a non-controlling shareholder are unsecured, bear interest at a rate 5.4% per annum and are repayable in 2015.

28. NON-CURRENT ASSET HELD FOR SALE

In December 2013, CRSCD, a subsidiary of the Company, announced the approval of its board of directors to dispose of a building and the relevant land use right to optimise the structure of the assets of CRSCD, and to improve the utilisation efficiency of the capital. The disposal of the assets was due to be completed with one year. As at 31 December 2013, the transaction was registered on the China Beijing Equity Exchange (北京產權交易所) for the contemplated disposal and the carrying amounts of such building of RMB735,894,000 and the relevant land use right of RMB343,919,000 were classified as a non-current asset held for sale in the consolidated statement of financial position of the Group.

In 2014, CRSCD entered into an agreement with an independent third party, to dispose of the building and the relevant land use right for a cash consideration of RMB1,576.0 million with a net gain on disposal of this non-current asset held for sale of RMB393.9 million. The transaction was completed as at 31 December 2014.

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	1,955,757	1,995,665	5,368,738	4,536,106
Time deposits	800,000	2,102,456	1,140,436	1,538,940
	2,755,757	4,098,121	6,509,174	6,075,046
Less: Pledged bank balances for bidding and performance guarantees and guarantees for letters of credit	(103,435)	(124,214)	(163,466)	(166,798)
Cash and cash equivalents in the consolidated statements of financial position	2,652,322	3,973,907	6,345,708	5,908,248
Less: Non-pledged time deposits with original maturity of more than three months when acquired	(400,000)	(802,456)	(428,160)	(408,555)
Cash and cash equivalents in the consolidated statements of cash flows	2,252,322	3,171,451	5,917,548	5,499,693
Cash and bank balances and time deposits denominated in:				
- RMB	2,727,590	4,080,750	6,366,300	5,928,679
- Other currencies	28,167	17,371	142,874	146,367
	2,755,757	4,098,121	6,509,174	6,075,046

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	968,811	1,431,687	2,864,224	2,841,252
Time deposits	800,000	1,300,000	692,168	733,682
	1,768,811	2,731,687	3,556,392	3,574,934
Less: Pledged bank balances for bidding guarantees and performance guarantees	(31,618)	(38,129)	(27,467)	(27,467)
Cash and cash equivalents in the statements of financial position	1,737,193	2,693,558	3,528,925	3,547,467
Cash and bank balances and time deposits denominated in:				
- RMB	1,745,746	2,715,998	3,451,317	3,536,481
- Other currencies	23,065	15,689	105,075	38,453
	1,768,811	2,731,687	3,556,392	3,574,934

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.

30. TRADE AND BILLS PAYABLES

Group

	Note	As at 31 December			As at 31 March
		2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables		3,890,203	5,003,704	6,683,093	7,431,204
Bills payable		189,392	309,520	377,631	252,394
		4,079,595	5,313,224	7,060,724	7,683,598
Portion classified as non-current liabilities	(i)	(60,385)	(69,344)	(75,012)	(77,495)
Current portion		4,019,210	5,243,880	6,985,712	7,606,103

Note:

(i) The non-current portion of trade payables mainly represents the amounts of retentions from suppliers of the Group at the end of each of the Relevant Periods.

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	1,966,625	2,143,934	1,953,115	2,342,348
Bills payable	—	70,000	—	—
	1,966,625	2,213,934	1,953,115	2,342,348

An aged analysis of the trade payables and bills payable, as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	2,971,362	4,248,380	5,462,818	6,524,401
1 to 2 years	733,858	661,087	1,075,883	723,926
2 to 3 years	236,568	191,964	209,448	188,258
Over 3 years	137,807	211,793	312,575	247,013
	4,079,595	5,313,224	7,060,724	7,683,598

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,397,758	1,799,966	1,452,881	2,034,750
1 to 2 years	425,918	292,948	419,197	223,106
2 to 3 years	78,395	66,882	40,123	35,145
Over 3 years	64,554	54,138	40,914	49,347
	1,966,625	2,213,934	1,953,115	2,342,348

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

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

Group

		As at 31 December			As at 31 March
	Note	2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CRSC Corporation Group		4,900	2,160	—	—
Fellow subsidiaries		175,875	190,097	188,364	191,043
An associate of CRSC Corporation Group		300	—	1,761	3,591
Associates		47,261	21,114	80,366	88,309
Associates of a fellow subsidiary		55,255	95,692	77,342	81,015
Joint ventures		20,751	41,094	2,062	1,768
A non-controlling shareholder's affiliates	(i)	—	—	75,186	92,020
		304,342	350,157	425,081	457,746

Note:

(i) The acquisition of CRSC CASCO was completed on 31 December 2014 as set out in note 38 of this section and Alstom became a related party of the Group from then on. Therefore, the amounts due to a non-controlling shareholder's affiliates as at 31 December 2014 were included in the outstanding balances with related parties.

The balances with a non-controlling shareholder's affiliates represented the unsettled amounts in relation to receipt of technical services from a non-controlling shareholder's affiliates in the past. Since Alstom became a related party of the Group effective on 31 December 2014, the transactions with Alstom for the year ended 31 December 2014 were not disclosed as related party transactions as set out in note 44(a) of this section.

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CRSC Corporation Group	4,900	2,160	—	—
A joint venture	9,940	26,902	—	—
Subsidiaries	1,106,269	1,483,555	1,356,735	1,704,292
	1,121,109	1,512,617	1,356,735	1,704,292

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

31. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	923,489	1,804,177	2,919,160	2,303,885
Accrued salaries, wages and benefits	263,410	267,598	443,862	301,115
Other taxes payable	244,133	399,266	265,748	262,314
Dividends payable to shareholders	—	—	77,510	3,228,364
Payables for acquisition of items of property, plant and equipment	—	—	349,737	313,322
Advances from CRSC Corporation Group	200,000	—	—	—
Other payables	203,635	289,006	360,520	331,700
	1,834,667	2,760,047	4,416,537	6,740,700

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	602,437	1,138,947	1,200,246	850,223
Accrued salaries, wages and benefits	14,508	8,579	10,870	10,779
Other taxes payable	119,026	151,792	39,480	27,731
Dividends payable to shareholders	—	—	77,510	3,227,738
Amounts due to subsidiaries	3,239,599	2,978,901	4,033,436	4,473,636
Payables for acquisition of items of property, plant and equipment	—	—	349,737	313,322
Other payables	117,117	108,964	73,688	60,299
	4,092,687	4,387,183	5,784,967	8,963,728

The amounts due to CRSC Corporation Group, fellow subsidiaries, an associate, an associate of a fellow subsidiary, a joint venture, a non-controlling shareholder and its affiliates and subsidiaries included in other payables, advances from customers and accruals are as follows:

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CRSC Corporation Group	200,200	15,042	92,411	3,152,695
Fellow subsidiaries	31,780	5,019	4,802	2,270
An associate	—	304	4,494	13,775
An associate of a fellow subsidiary	56	56	170	170
A joint venture	13,455	16,543	—	—
A non-controlling shareholder and its affiliates	—	—	7,006	16,716
	245,491	36,964	108,883	3,185,626

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CRSC Corporation Group	11,898	12,654	91,750	3,151,369
A joint venture	—	500	—	—
Subsidiaries	3,239,599	2,978,901	4,033,436	4,473,636
A non-controlling shareholder	—	—	7,006	7,006
	3,251,497	2,992,055	4,132,192	7,632,011

The above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement, except the amounts due to subsidiaries, which bore interest at rates ranging from 0.35% to 3.25% per annum during the Relevant Periods.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	As at 31 December									As at 31 March		
	2012			2013			2014			2015		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current:												
Bank loans – unsecured	5.40-7.22	2013	441,900	5.04-6.90	2014	233,749	6.00-6.65	2015	227,626	5.21-6.65	2015-2016	250,000
Other loans – unsecured	5.40	2013	50,000			—			—			—
			491,900			233,749			227,626			250,000
Non-current:												
Bank loans – secured (i)	6.35	2020	111,066			—			—			—
Bank loans – unsecured	6.15-6.90	2014-2017	81,771	6.15-6.90	2015-2017	116,685	6.15-6.65	2016-2017	89,059	6.40-6.65	2016-2017	43,421
Other loans – unsecured	3.30	2020	1,164	3.80	2020	1,018	3.30	2020	873	3.30	2020	727
			194,001			117,703			89,932			44,148
Total			685,901			351,452			317,558			294,148
Interest-bearing bank and other borrowings denominated in:												
- RMB			685,901			351,452			317,558			294,148

Company

	As at 31 December									As at 31 March		
	2012			2013			2014			2015		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current:												
Bank loans – unsecured	5.40-5.68	2013	400,000	5.04	2014	200,000	6.00	2015	200,000	5.21	2015-2016	200,000
Other loans – unsecured	5.40	2013	50,000			—	5.40	2015	100,000	5.40	2015	100,000
Total			450,000			200,000			300,000			300,000
Interest-bearing bank and other borrowings denominated in:												
- RMB			450,000			200,000			300,000			300,000

The maturity profile of the interest-bearing bank and other borrowings as at the end of each of the Relevant Periods is as follows:

Group

	Note	As at 31 December			As at 31 March
		2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:					
Bank loans repayable:					
Within one year		441,900	233,749	227,626	250,000
In the second year		5,649	27,626	48,138	43,421
In the third to fifth years, inclusive		76,122	89,059	40,921	—
Beyond five years	(i)	111,066	—	—	—
		634,737	350,434	316,685	293,421
Other borrowings repayable:					
Within one year		50,000	—	—	—
Beyond five years		1,164	1,018	873	727
		51,164	1,018	873	727
		685,901	351,452	317,558	294,148

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans repayable:				
Within one year	400,000	200,000	200,000	200,000
Other borrowings repayable:				
Within one year	50,000	—	100,000	100,000
	450,000	200,000	300,000	300,000

Notes:

(i) The Group's bank loan of approximately RMB111,066,000 at 31 December 2012 was secured and guaranteed by the mortgage over an item of property, plant and equipment. As at 31 December 2012, the carrying value of such secured item of property, plant and equipment amounted to RMB711,610,000. As at 31 December 2013, the bank borrowing was fully repaid before the maturity date.

Other interest rate information:

Group

	As at 31 December						As at 31 March	
	2012		2013		2014		2015	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans:								
Secured	—	111,066	—	—	—	—	—	—
Unsecured	391,900	131,771	228,100	122,334	200,000	116,685	200,000	93,421
Other borrowings:								
Unsecured	50,000	1,164	—	1,018	—	873	—	727
	441,900	244,001	228,100	123,352	200,000	117,558	200,000	94,148

Company

	As at 31 December						As at 31 March	
	2012		2013		2014		2015	
	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans:								
Unsecured.	350,000	50,000	200,000	—	200,000	—	200,000	—
Other borrowings								
Unsecured.	50,000	—	—	—	100,000	—	100,000	—
	400,000	50,000	200,000	—	300,000	—	300,000	—

The interest-bearing borrowings from related parties included in the above are as follows:

Group

		As at 31 December			As at 31 March
	Note	2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
A joint venture	(i)	50,000	—	—	—

Company

		As at 31 December			As at 31 March
	Note	2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
A joint venture	(i)	50,000	—	—	—
A subsidiary.	(i)	—	—	100,000	100,000
		50,000	—	100,000	100,000

Note:

(i) The above borrowings from CRSC CASCO are unsecured, bear interest at a rate of 5.4% per annum and are repayable in 2013 and 2015.

Since the acquisition of CRSC CASCO was completed on 31 December 2014 as set out in note 38 of this section, CRSC CASCO was changed from a former joint venture of the Group to a subsidiary of the Group at the same date. Therefore, the borrowing from CRSC CASCO of RMB100.0 million was eliminated in the consolidated statements of financial position of the Group as at 31 December 2014 and 31 March 2015.

33. PROVISIONS

The Group generally provides two-year warranties to its customers on the transportation control system products sold by the Group, under which faulty components are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

Group

Year ended in 31 December 2012

	Note	Lawsuit claims	Product warranties	Total
		RMB'000	*RMB'000*	*RMB'000*
		Note(i)		
At beginning of the year		52,780	121,515	174,295
Additional provisions	8	—	86,746	86,746
Provisions reversed	8	—	(226)	(226)
Amounts utilised		—	(30,344)	(30,344)
At end of the year		52,780	177,691	230,471

Group

Year ended in 31 December 2013

	Note	Lawsuit claims	Product warranties	Total
		RMB'000	*RMB'000*	*RMB'000*
		Note(i)		
At beginning of the year		52,780	177,691	230,471
Additional provisions	8	—	39,194	39,194
Provisions reversed	8	—	(85,185)	(85,185)
Amounts utilised		—	(32,539)	(32,539)
At end of the year		52,780	99,161	151,941

Group

Year ended in 31 December 2014

	Note	Lawsuit claims	Product warranties	Total
		RMB'000	*RMB'000*	*RMB'000*
		Note(i)		
At beginning of the year		52,780	99,161	151,941
Additional provisions	8	—	37,214	37,214
Provisions reversed	8	—	(305)	(305)
Amounts utilised		(52,780)	(31,469)	(84,249)
At end of the year		—	104,601	104,601

Group

Three months ended 31 March 2015

	Note	Lawsuit claims	Product warranties	Total
		RMB'000	*RMB'000*	*RMB'000*
		Note(i)		
At beginning of the period		—	104,601	104,601
Additional provision	8	—	15,298	15,298
Provision reversed	8	—	—	—
Amounts utilised		—	(7,625)	(7,625)
At end of the period		—	112,274	112,274

Company

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Product warranty:				
At beginning of the year/period	58,729	59,094	58,771	58,611
Additional provision	404	103	133	—
Provision reversed	—	(145)	(293)	—
Amounts utilised	(39)	(281)	—	—
At end of the year/period	59,094	58,771	58,611	58,611

The carrying amounts of the Group's provisions approximate to their fair values.

Note:

(i) In 2003, the Group was involved in legal proceedings with respect to a claim against the Group for its failure to implement a contract regarding swap of land use right. Provision had been made for the probable losses to the Group based on the outcome on the judgement of the local people's court in 2009. The Group had appealed to the local high people's court after the Group obtained the judgement of the local people's court. As at 31 December 2014, the final judgement of the local high people's court upheld the decision from the local people's court and the amount of the claim was fully paid by the Group accordingly.

34. GOVERNMENT GRANTS

The movements of government grants during the Relevant Periods are as follows:

Group

	Note	Year ended 31 December			Three months ended 31 March
		2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period		104,652	104,890	135,244	142,073
Additions		28,433	98,741	62,684	5,786
Acquisition of subsidiaries	38	—	—	15,782	—
Recognised as income during the year/period		(28,195)	(68,387)	(71,637)	(12,775)
At end of the year/period		104,890	135,244	142,073	135,084
Portion classified as current liabilities		(36,915)	(16,017)	(11,694)	(11,019)
Non-current portion		67,975	119,227	130,379	124,065

Company

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	41,175	41,564	40,975	36,798
Additions	2,890	3,269	2,020	—
Recognised as income during the year/period	(2,501)	(3,858)	(6,197)	(204)
At end of the year/period	41,564	40,975	36,798	36,594
Portion classified as current liabilities	(3,662)	(6,123)	(2,737)	(2,737)
Non-current portion	37,902	34,852	34,061	33,857

Government grants are received by the Group as financial subsidies for the research and development projects and relocation compensation of the Group. Government grants are recognised as income over the periods necessary to match the grant on a systematic basis to the costs and expenses that they are intended to compensate or over the weighted average of the expected useful life of the relevant property, machinery and equipment.

35. PROVISIONS FOR SUPPLEMENTARY RETIREMENT BENEFITS

The Group provides supplementary retirement benefits, including the retirement pension subsidies, medical benefits and other supplementary benefits to employees who retired on or before 31 December 2013. The Group also implements an early retirement plan for certain employees in addition to the benefits under the government-sponsored retirement plans and supplementary pension subsidies described above.

The Group's obligations in respect of the above supplementary retirement benefits at the end of each of the Relevant Periods were computed by an independent qualified actuarial firm, Towers Watson Consulting Company Limited (韜睿惠悅諮詢公司) using the projected unit credit method.

The components of net benefit expenses recognised in profit or loss and the amounts recognised in the statements of financial position are summarised below:

(a) The provisions for supplementary retirement and early retirement benefits recognised in the statements of financial position are shown as follows:

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At end of the year/period	666,724	622,953	690,608	699,020
Portion classified as current liabilities	(76,738)	(72,642)	(71,916)	(72,732)
Non-current portion	589,986	550,311	618,692	626,288

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At end of the year/period	84,944	98,433	98,921	98,416
Portion classified as current liabilities	(7,084)	(9,283)	(8,101)	(8,103)
Non-current portion	77,860	89,150	90,820	90,313

(b) The movements of the provisions for supplementary retirement and early retirement benefits are as follows:

Group

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	689,242	666,724	622,953	690,608
Interest costs on benefit obligations	21,940	22,951	26,398	6,081
Past service costs	67,570	46,016	12,580	8,347
Actuarial losses recognised during the year/period	12,086	2,290	7,969	145
Benefits paid during the year/period	(86,107)	(92,276)	(78,988)	(21,951)
Re-measurement losses/(gains) recognised in other comprehensive income	(38,007)	(22,752)	99,696	15,790
At end of the year/period	666,724	622,953	690,608	699,020

Company

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	87,880	84,944	98,433	98,921
Transfers to a subsidiary	—	—	(17,169)	—
Interest costs on benefit obligations	2,915	3,026	3,498	889
Past service costs	(394)	132	2	—
Actuarial losses recognised during the year/period	6,091	3,291	—	—
Benefits paid during the year/period	(7,932)	(12,681)	(8,354)	(2,045)
Re-measurement losses/(gains) recognised in other comprehensive income	(3,616)	19,721	22,511	651
At end of the year/period	84,944	98,433	98,921	98,416

The details of re-measurement losses/(gains) recognised in other comprehensive income of the Group during the Relevant Periods and the three months ended 31 March 2014 are as follows:

Group

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Actuarial changes arising from changes in financial assumptions	(12,875)	(38,917)	40,844	—	—
Liability experience adjustments	(25,132)	16,165	58,852	30,124	15,790
Re-measurement losses/(gains) recognised in other comprehensive income	(38,007)	(22,752)	99,696	30,124	15,790

(c) The net expenses recognised in profit or loss in respect of the provisions for supplementary retirement and early retirement benefits of the Group during the Relevant Periods and the three months ended 31 March 2014 are as follows:

Group

		Year ended 31 December			Three months ended 31 March	
	Note	2012	2013	2014	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Interest cost on benefit obligations		21,940	22,951	26,398	6,600	6,081
Past service cost		67,570	46,016	12,580	7,304	8,347
Actuarial losses recognised during the year/period		12,086	2,290	7,969	3,727	145
Net benefit expenses recognised in administrative expenses	8	101,596	71,257	46,947	17,631	14,573

(d) The principal actuarial assumptions used in valuing the provisions for supplementary retirement benefits as at the end of each of the Relevant Periods are as follows:

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
Discount rates	3.75%	4.50%	3.75%	3.75%
Mortality rate	**Average life expectancy of residents in Mainland China**			
Average annual benefit increase:				
- Average medical expense increase rate	8.00%	8.00%	8.00%	8.00%
- Lump sum death benefits increase rate	3.00%	3.00%	3.00%	3.00%
- Supplementary pension benefits increase rate	3.00%	3.00%	3.00%	3.00%
- Cost of living adjustment for internal retires	4.50%	4.50%	4.50%	3.00%

The average duration of the provision for supplementary retirement benefits at the end of each of the Relevant Periods is as follows:

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	Years	*Years*	*Years*	*Years*
Average life expectancy	19	19	18	18

(e) The quantitative sensitivity analysis of the provisions for supplementary retirement benefits as at the end of each of the Relevant Periods is as follows:

Group

	Increase in rate	Increase/ (decrease) in provisions for supplementary retirement benefits	Decrease in rate	Increase/ (decrease) in provisions for supplementary retirement benefits
	%	*RMB'000*	*%*	*RMB'000*
As at 31 December 2012				
Discount rate	0.25	(15,483)	0.25	16,228
Future medical expense	0.10	19,736	0.10	(16,415)
As at 31 December 2013				
Discount rate	0.25	(13,740)	0.25	14,376
Future medical expense	0.10	18,154	0.10	(15,207)
As at 31 December 2014				
Discount rate	0.25	(16,304)	0.25	17,079
Future medical expense	0.10	21,565	0.10	(17,980)
As at 31 March 2015				
Discount rate	0.25	(16,400)	0.25	17,175
Future medical expense	0.10	20,746	0.10	(17,313)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the provisions for supplementary retirement benefits as a result of reasonable changes in key assumptions occurring at the end of each of the Relevant Periods.

36. SHARE CAPITAL

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered, issued and fully paid:				
Ordinary shares of RMB1.00 each	4,500,000	7,000,000	7,000,000	7,000,000

The movements in share capital are as follows:

		Year ended 31 December						Three months ended 31 March	
		2012		2013		2014		2015	
	Note	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value
		'000	*RMB'000*	*'000*	*RMB'000*	*'000*	*RMB'000*	*'000*	*RMB'000*
At beginning of the year/period		4,500,000	4,500,000	4,500,000	4,500,000	7,000,000	7,000,000	7,000,000	7,000,000
Cash contribution from shareholders	(i)	—	—	1,418,326	1,418,326	—	—	—	—
Capitalisation of retained profits	(i)	—	—	1,081,674	1,081,674	—	—	—	—
At end of the year/ period		4,500,000	4,500,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000

Note:

(i) Pursuant to the resolution passed by the board of directors in May 2013, the Company's share capital was increased from RMB4,500.0 million to RMB7,000.0 million by cash contribution from shareholders of RMB1,418.3 million and by capitalisation of retained profits of RMB1,081.7 million.

37. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods and the three months ended 31 March 2014 are presented in the consolidated statements of changes in equity.

(b) **Company**

	Capital reserve	Statutory surplus reserve	Special reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2012	856,031	—	2,540	1,222	859,793
Profit for the year	—	—	—	316,063	316,063
Other comprehensive income:					
Re-measurement incomes on defined benefit plans, net of tax	3,616	—	—	—	3,616
Total comprehensive income	3,616	—	—	316,063	319,679
Appropriation to statutory surplus reserve	—	35,052	—	(35,052)	—
Transfer to special reserve	—	—	43,535	(43,535)	—
Utilisation of special reserve	—	—	(12,319)	12,319	—
As at 31 December 2012 and 1 January 2013	859,647	35,052	33,756	251,017	1,179,472
Profit for the year	—	—	—	1,514,169	1,514,169
Other comprehensive loss:					
Re-measurement losses on defined benefit plans, net of tax	(19,721)	—	—	—	(19,721)
Total comprehensive income	(19,721)	—	—	1,514,169	1,494,448
Increase in share capital by capitalisation of retained profits	—	—	—	(1,081,674)	(1,081,674)
Appropriation to statutory surplus reserve	—	152,891	—	(152,891)	—
Dividends declared	—	—	—	(318,687)	(318,687)
Transfer to special reserve	—	—	12,733	(12,733)	—
Utilisation of special reserve	—	—	(1,460)	1,460	—
As at 31 December 2013 and 1 January 2014	839,926	187,943	45,029	200,661	1,273,559
Profit for the year	—	—	—	945,947	945,947
Other comprehensive loss:					
Re-measurement losses on defined benefit plans, net of tax	(22,511)	—	—	—	(22,511)

	Capital reserve	Statutory surplus reserve	Special reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total comprehensive income	(22,511)	—	—	945,947	923,436
Appropriation to statutory surplus reserve	—	100,261	—	(100,261)	—
Dividends declared	—	—	—	(250,691)	(250,691)
Transfer to special reserve	—	—	1,180	(1,180)	—
Utilisation of special reserve	—	—	(16,046)	16,046	—
As at 31 December 2014 and 1 January 2015	817,415	288,204	30,163	810,522	1,946,304
Profit for the period	—	—	—	2,426,278	2,426,278
Other comprehensive loss:					
Re-measurement losses on defined benefit plans, net of tax	(651)	—	—	—	(651)
Total comprehensive income	(651)	—	—	2,426,278	2,425,627
Dividends declared	—	—	—	(3,227,738)	(3,227,738)
Transfer to special reserve	—	—	385	(385)	—
Utilisation of special reserve	—	—	(1,730)	1,730	—
As at 31 March 2015	816,764	288,204	28,818	10,407	1,144,193

38. BUSINESS COMBINATION

(i) CRSC CASCO

In December 2014, the Company entered into a share purchase agreement with Alstom (China) Investment Co., Ltd., to acquire an additional 1% equity interest in CRSC CASCO, a joint venture of the Group at the cash consideration of RMB15.0 million. The articles of association of CRSC CASCO were revised accordingly upon the completion of acquisition. CRSC CASCO is engaged in the provision of design and project operation of rail transportation control systems. The acquisition was as part of the Group's strategy to expand its market share of urban transit control systems. The purchase consideration for the acquisition was in the form of cash, with RMB8.0 million being paid at the acquisition date and the remaining RMB7.0 million being paid in April 2015.

According to the amendment to the articles of association of CRSC CASCO, the Company has the power to govern the relevant activities of CRSC CASCO. The Directors are of the opinion that the Company has been able to control CRSC CASCO since the completion of the step acquisition.

In the opinion of the Directors, the effective acquisition date is 31 December 2014 when the Company took over the majority voting right over the relevant activities of CRSC CASCO.

Therefore, effective on 31 December 2014, CRSC CASCO was accounted for as a subsidiary of the Group and the financial statements of CRSC CASCO have been consolidated in the Company's consolidated financial statements as at 31 December 2014. Meanwhile, Alstom became a related party of the Group since then.

The goodwill of RMB201.0 million comprises the value of expected synergies arising from the acquisition, which is not separately recognised.

The Group recognised a gain of RMB135.2 million in profit or loss as a result of remeasuring its original interest in CRSC CASCO of RMB626.0 million at the date of obtaining control to its acquisition-date fair value of RMB761.2 million.

The Group has elected to measure the non-controlling interest in CRSC CASCO at the non-controlling interest's proportionate share of CRSC CASCO's identifiable net assets.

The fair values of the identifiable assets and liabilities of CRSC CASCO as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition
		RMB'000
Property, plant and equipment	14	270,988
Other intangible assets	18	545,808
Deferred tax assets	23	5,816
Inventories		79,233
Trade and bills receivables		449,267
Prepayments, deposits and other receivables		321,377
Amounts due from contract customers		723,420
Pledged deposits		23,390
Cash and cash equivalents		410,089
Trade and bills payables		(500,622)
Amounts due to contract customers		(569,115)
Other payables, advances from customers and accruals		(520,850)
Tax payable		(12,453)
Government grants	34	(10,782)
Deferred tax liabilities	23	(87,809)
Total identifiable net assets at fair value		1,127,757
Non-controlling interests		(552,601)
Goodwill on acquisition	17	201,027
Investment in a joint venture before the step acquisition of subsidiary		(626,012)
Gain on remeasurement of the previously held interest in an acquiree at its acquisition-date fair value in a step acquisition of a subsidiary	6	(135,165)
Total consideration		15,006

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of CRSC CASCO is as follows:

	RMB'000
Cash consideration	(15,006)
Cash consideration payable at the end of year	7,006
Cash and cash equivalents acquired	410,089
Non-pledged time deposit with original maturity of more than three months when acquired	(269,420)
Net inflow of cash and cash equivalents in respect of the acquisition	132,669

(ii) **Others**

During the Relevant Periods and the three months ended 31 March 2014, in addition to the above acquisition of CRSC CASCO, the following entities were acquired from third parties for the purpose of expanding business. Acquisitions of equity interests in these entities have been accounted for using the acquisition method of accounting effective from the dates when the entities were controlled by the Group. Details are as follows:

Company name	Acquisition date	Percentage of equity interests acquired	Cash consideration
CRSC Innovation Zhejiang Construction Investment Ltd. (通號創新浙江建設投資有限公司)	October 2013	100.0%	RMB36,873,000
CRSC Guizhou Construction	January 2014	79.7%	RMB398,276,000
CRSC Wanquan	January 2014	70.0%	RMB119,951,000
CRSCE Hunan Construction Engineering Ltd. (通號工程局集團湖南建設工程有限公司)	July 2014	100.0%	RMB50,360,000
CRSC Zhengzhou Zhong'an	August 2014	60.0%	RMB153,750,000

The goodwill of RMB35.3 million comprises the value of expected synergies arising from the acquisitions of CRSC Guizhou Construction, CRSC Wanquan and CRSC Zhengzhou Zhong'an, which is not separately recognised.

The Group has elected to measure the non-controlling interests in the above companies at the respective non-controlling interests' proportionate share of those identifiable net assets.

The aggregated fair values of the identifiable assets and liabilities of the above-mentioned entities acquired as at the respective date of acquisition. Details are as follows:

	Notes	Year ended 31 December		Three months ended 31 March
		2013	2014	2014
		RMB'000	*RMB'000*	*RMB'000 (Unaudited)*
Property, plant and equipment, net	14	—	5,959	4,622
Other intangible assets	18	—	2,450	2,450
Deferred tax assets	23	—	2,110	2,103
Inventories		—	10,161	10,161
Trade receivables		1,039	118,342	86,462
Prepayments, deposits and other receivables		36,890	240,046	157,914
Cash and cash equivalents		664	771,992	612,968
Trade payables		—	(16,358)	(11,825)
Tax payable		(284)	(12,380)	(4,619)
Other payable, advances from customers and accruals		(1,436)	(194,817)	(193,218)
Deferred tax liabilities	23	—	(958)	(958)
Government grants	34	—	(5,000)	(5,000)
Total identifiable net assets at fair value		36,873	921,547	661,060
Non-controlling interests		—	(234,552)	(150,501)
Goodwill on acquisitions	17	—	35,342	7,668
Total consideration		36,873	722,337	518,227

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisitions of other subsidiaries is as follows:

	Year ended 31 December		Three months ended 31 March
	2013	2014	2014
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*
Cash consideration	(36,873)	(722,337)	(518,227)
Prepayments of cash consideration in prior years	—	518,227	518,227
Cash and cash equivalents acquired	664	771,992	612,968
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisitions	(36,209)	567,882	612,968

(iii) **Acquirees' contributions**

Contributions of CRSC CASCO and other acquirees to the Group's revenue and the Group's profit after tax for the period between the date of the acquisitions and the year/(period) end date of the respective year/period are as follows:

	Year ended 31 December		Three months ended 31 March
	2013	2014	2014
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*
Contributions to:			
Group's revenue	94,397	963,577	20,457
Group's profit after tax	14,952	31,281	12,218

Had the acquisitions taken place at the beginning of the year, the revenue of the Group and the profit after tax of the Group would have been as follows:

	Year ended 31 December		Three months ended 31 March
	2013	2014	2014
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*
Group's revenue	13,110,179	18,933,324	3,346,571
Group's profit after tax	1,236,327	2,178,478	393,045

39. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

During the Relevant Periods and the three months ended 31 March 2014, the Group had the following major non-cash transactions:

		Year ended 31 December			Three months ended 31 March	
	Notes	2012	2013	2014	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Increase in share-capital by capitalisation of retained profits	36(i)	—	1,081,674	—	—	—
Dividends payment settled with other receivables	(i)	—	167,687	173,181	—	—

Note:

(i) During the years ended 31 December 2013 and 2014, dividend payables to CRSC Corporation Group amounting to RMB167.7 million and RMB173.2 million were settled by offsetting other receivables from CRSC Corporation Group pursuant to agreements between the Company and CRSC Corporation Group.

40. CONTINGENT LIABILITIES

At the end of each of the Relevant Periods, contingent liabilities not provided for in the Financial Information were as follows:

The following table sets forth the guarantees given to banks in connection with letters of guarantee and letters of credit granted to:

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Subsidiaries	130,000	410,000	1,724,001	1,774,001

41. PLEDGE OF ASSETS

Details of the Group's assets pledged for issuance of bills payables, letters of credit, bidding and performance guarantees and bank loans are disclosed in notes 14, 26, 29 and 32, respectively.

42. OPERATING LEASE ARRANGEMENTS

As lessor

The Company leases its investment properties (note 15 to the Financial Information) to its subsidiaries under operating lease arrangements, with leases negotiated for terms of 1 year.

At the end of each of the Relevant Periods, the Company had the following total future minimum lease receivables under non-cancellable operating leases falling due as follows:

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,049	1,049	81,049	81,049

As lessee

At the end of each of the Relevant Periods, the Group and the Company had the following total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	6,850	11,999	15,309	21,008
In the second to fifth years, inclusive	4,913	6,175	8,633	33,823
After five years	202	148	148	—
	11,965	18,322	24,090	54,831

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	955	—	—	144
In the second to fifth years, inclusive	65	—	—	144
	1,020	—	—	288

43. COMMITMENTS

Capital commitments at the end of the each of the Relevant Periods not provided for in the Financial Information were as follows:

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure in respect of Property, plant and equipment:				
- Contracted, but not provided for	200,439	837,635	28,908	22,904
- Authorised, but not contracted for	2,019,500	1,050,475	1,085,776	1,085,786
	2,219,939	1,888,110	1,114,684	1,108,690
Acquisition in a subsidiary and an associate:				
- Contracted, but not provided for	—	—	—	325,000
- Authorised, but not contracted for	—	33,000	121,540	—
	2,219,939	1,921,110	1,236,224	1,433,690

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure in respect of Property, plant and equipment:				
- Contracted, but not provided for	76,100	725,342	10,110	10,110
- Authorised, but not contracted for	2,019,500	1,050,475	406,876	406,876
	2,095,600	1,775,817	416,986	416,986
Acquisition in a subsidiary and an associate:				
- Contracted, but not provided for	—	—	—	325,000
- Authorised, but not contracted for	—	33,000	121,540	—
	2,095,600	1,808,817	538,526	741,986

44. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the Relevant Periods and the three months ended 31 March 2014:

	Note	Year ended 31 December			Three months ended 31 March	
		2012	2013	2014	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Sales of products:						
CRSC Corporation Group		117,764	75,304	40,876	254	20,124
Fellow subsidiaries		1,389	2,830	4,421	429	—
Associates		74,306	38,491	53,302	13,014	1,464
Associates of a fellow subsidiary		44,134	35,027	72,330	13,188	9,897
Joint ventures		77,859	129,610	147,322	13,163	—
		315,452	281,262	318,251	40,048	31,485
Purchase of products:						
CRSC Corporation Group		—	474	882	—	—
Fellow subsidiaries		55,077	75,782	70,357	17,682	18,093
An associate of CRSC Corporation Group		5,588	6,531	12,936	1,825	3,497
Associates		96,132	75,108	131,672	23,868	64,993
Associates of a fellow subsidiary		53,463	80,214	91,936	16,620	22,217
Joint ventures		114,527	137,832	169,477	15,857	2,268
A non-controlling shareholder's affiliates		—	—	—	—	53,259
		324,787	375,941	477,260	75,852	164,327
Services provided to:						
CRSC Corporation Group		39,016	6,390	248	7	—
An associate		1,972	2,733	3,321	961	1,649
Joint ventures	(i)	4,460	5,347	4,377	2,254	616
		45,448	14,470	7,946	3,222	2,265
Services provided by:						
Fellow subsidiaries		4,000	3,394	3,422	509	1,152
Associates of a fellow subsidiary		—	128	608	—	348
		4,000	3,522	4,030	509	1,500

	Note	Year ended 31 December			Three months ended 31 March	
		2012	2013	2014	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Rental income received or receivable from:						
A fellow subsidiary		—	154	—	—	—
Associates of a fellow subsidiary		932	932	932	233	233
Joint ventures	(i)	7,103	8,513	10,356	1,878	—
		8,035	9,599	11,288	2,111	233
Rental expenses paid or payable to:						
Fellow subsidiaries		1,949	1,884	1,417	335	271
		1,949	1,884	1,417	335	271
Interest expenses paid or payable to:						
CRSC Corporation Group		566	—	—	—	—
A fellow subsidiary		275	—	—	—	—
A joint venture	(i)	1,381	1,357	3,825	—	—
		2,222	1,357	3,825	—	—
Borrowings provided by:						
CRSC Corporation Group		200,000	—	—	—	—
A joint venture	(i)	50,000	—	100,000	—	—
		250,000	—	100,000	—	—
Interest income received or receivable by:						
A non-controlling shareholder		—	—	—	—	1,233
		—	—	—	—	1,233

Note:

(i) Since the acquisition of CRSC CASCO was completed on 31 December 2014 as set out in note 38 of this section, CRSC CASCO became a subsidiary of the Group from a former joint venture of the Group from 31 December 2014. Therefore, the transactions with CRSC CASCO before the acquisition mentioned above were still regarded as related party transactions with a joint venture.

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Enterprises" ("SOEs")). During the Relevant Periods and the three months ended 31 March 2014, the Group entered into extensive transactions with other SOEs, such as bank deposits, bank borrowings, the rendering and receiving of design and integration, equipment manufacturing and system implementation services, and purchase and sale of inventory and machinery. In the opinion of the Directors, the transactions with SOEs are activities conducted in the ordinary course of business, and the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for rendering services and such pricing policies do not depend on whether or not the customers are SOEs.

In the opinion of the Directors, the following related party transactions shall also constitute continuing connected transactions under chapter 14A of the Listing Rules:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Sales of products:					
CRSC Corporation Group	117,764	75,304	40,876	254	20,124
Fellow subsidiaries	1,389	2,830	4,421	429	—
An associate of a fellow subsidiary	8	24	25	—	—
	119,161	78,158	45,322	683	20,124
Purchase of products:					
CRSC Corporation Group	—	474	882	—	—
Fellow subsidiaries	55,077	75,782	70,357	17,682	18,093
An associate of CRSC Corporation Group	5,588	6,531	12,936	1,825	3,497
An associate of a fellow subsidiary	—	6	—	—	—
A non-controlling shareholder's affiliates	—	—	—	—	53,259
	60,665	82,793	84,175	19,507	74,849
Services provided to:					
CRSC Corporation Group	39,016	6,390	248	7	—
	39,016	6,390	248	7	—

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Services provided by:					
Fellow subsidiaries	4,000	3,394	3,422	509	1,152
	4,000	3,394	3,422	509	1,152
Rental income received or receivable from:					
A fellow subsidiary	—	154	—	—	—
An associate of a fellow subsidiary	52	52	52	13	14
	52	206	52	13	14
Rental expenses paid or payable to:					
Fellow subsidiaries	1,949	1,884	1,417	335	271
	1,949	1,884	1,417	335	271
Interest income received or receivable by:					
A non-controlling shareholder	—	—	—	—	1,233
	—	—	—	—	1,233

(b) **Outstanding balances with related parties**

Details of the outstanding balances with related parties are set out in notes 26, 27, 30, 31 and 32 of this section.

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

Further details of Directors' and supervisors' emoluments are included in note 9 of this section.

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Short term employee benefits	6,492	8,362	7,337	1,866	1,149
Pension scheme contributions	394	647	819	183	203
	6,886	9,009	8,156	2,049	1,352

(d) **Commitments with related parties**

As at 31 December 2012, 2013 and 2014 and 31 March 2015, the Group entered into several sales and purchase agreements with related parties. The material commitments and backlogs are as follows:

	Note	As at 31 December			As at 31 March
		2012	2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of products:					
An associate		6,294	1,842	2,642	42,461
A joint venture	(i)	29,696	20,194	—	—
		35,990	22,036	2,642	42,461
Purchase of products:					
An associate		—	—	21,050	21,174
An associate of a fellow subsidiary		—	11,787	10,480	10,613
A joint venture	(i)	79,883	78,554	—	—
A non-controlling shareholder's affiliates		—	—	139,781	138,452
		79,883	90,341	171,311	170,239

Note:

(i) Since the acquisition of CRSC CASCO was completed on 31 December 2014 as set out in note 38 of this section, CRSC CASCO became a subsidiary of the Group from a former joint venture of the Group from 31 December 2014. Therefore, the commitment with CRSC CASCO as at 31 December 2014 was eliminated in the consolidated financial statements of the Group as at 31 December 2014.

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Group

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Available-for-sale financial investments:				
Available-for-sale investments	4,032	2,359	2,359	2,359
Loans and receivables:				
Trade and bills receivables	4,563,955	6,311,047	7,920,303	8,537,057
Financial assets included in prepayments, deposits and other receivables	338,410	625,418	1,275,572	1,666,451
Pledged deposits	103,435	124,214	163,466	166,798
Cash and cash equivalents	2,652,322	3,973,907	6,345,708	5,908,248
	7,662,154	11,036,945	15,707,408	16,280,913
Financial liabilities				
Financial liabilities at amortised cost:				
Interest-bearing bank and other borrowings	685,901	351,452	317,558	294,148
Trade and bills payables	4,079,595	5,313,224	7,060,724	7,683,598
Financial liabilities included in other payables, advances from customers and accruals	403,635	289,006	787,767	3,873,386
	5,169,131	5,953,682	8,166,049	11,851,132

Company

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Available-for-sale financial investments:				
Available-for-sale investments	2,141	2,141	2,141	2,141
Loans and receivables:				
Trade and bills receivables	1,566,265	2,117,052	1,875,290	2,196,268
Financial assets included in prepayments, deposits and other receivables	1,504,490	2,357,223	2,214,061	4,933,555
Pledged deposits	31,618	38,129	27,467	27,467
Cash and cash equivalents	1,737,193	2,693,558	3,528,925	3,547,467
	4,841,707	7,208,103	7,647,884	10,706,898
Financial liabilities				
Financial liabilities at amortised cost:				
Interest-bearing bank and other borrowings	450,000	200,000	300,000	300,000
Trade and bills payables	1,966,625	2,213,934	1,953,115	2,342,348
Financial liabilities included in other payables, advances from customers and accruals	3,356,716	3,087,865	4,534,371	8,074,995
	5,773,341	5,501,799	6,787,486	10,717,343

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values as at the end of each of the Relevant Periods, are as follows:

Group

	Carrying amounts			
	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables:				
Trade receivables, non-current portion	187,744	313,174	595,955	618,508
Financial assets included in prepayments, deposits and other receivables, non-current portion	6,023	6,487	4,587	20,139
	193,767	319,661	600,542	638,647
Financial liabilities				
Financial liabilities at amortised cost:				
Interest-bearing bank and other borrowings	685,901	351,452	317,558	294,148
Trade payables, non-current portion	60,385	69,344	75,012	77,495
	746,286	420,796	392,570	371,643

Group

	Fair values			
	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables:				
Trade receivables, non-current portion	182,333	292,840	573,849	589,532
Financial assets included in prepayments, deposits and other receivables, non-current portion	5,842	6,212	4,438	19,619
	188,175	299,052	578,287	609,151
Financial liabilities				
Financial liabilities at amortised cost:				
Interest-bearing bank and other borrowings	685,901	351,452	317,558	294,148
Trade payables, non-current portion	58,570	66,409	72,571	74,993
	744,471	417,861	390,129	369,141

Company

	Carrying amounts			
	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables:				
Trade receivables, non-current portion	180,058	73,354	197,192	103,203
Financial assets included in prepayments, deposits and other receivables, non-current portion	4,215	4,187	3,249	3,397
	184,273	77,541	200,441	106,600

	Carrying amounts			
	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Financial liabilities at amortised cost:				
Interest-bearing bank and other borrowings	450,000	200,000	300,000	300,000

Company

	Fair values			
	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables:				
Trade receivables, non-current portion	174,647	70,250	190,776	93,526
Financial assets included in prepayments, deposits and other receivables, non-current portion	4,088	4,010	3,143	3,287
	178,735	74,260	193,919	96,813

	Fair values			
	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Financial liabilities at amortised cost:				
Interest-bearing bank and other borrowings	450,000	200,000	300,000	300,000

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, the current portion of trade and bills receivables, the current portion of trade and bills payables, the current portion of financial assets included in prepayments, deposits and other receivables and the current portion of financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the senior management twice a year for annual and interim financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of trade and bills receivables, non-current portion of financial assets included in prepayments, deposits and other receivables, non-current portion of trade payables, and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risks for trade and bills payables, and interest-bearing bank and other borrowings as at 31 December 2012, 2013 and 2014 and 31 March 2015 were assessed to be insignificant.

The fair values of unlisted available-for-sale equity investments cannot be measured reliably because they do not have quoted market prices in an active market and the range of reasonable fair value estimates is so significant.

Fair value hierarchy:

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

Assets for which fair values are disclosed:

Group
31 December 2012

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables, non-current portion	—	—	182,333	182,333
Financial assets included in prepayments, deposits and other receivables, non-current portion	—	—	5,842	5,842
	—	—	188,175	188,175

31 December 2013

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables, non-current portion	—	—	292,840	292,840
Financial assets included in prepayments, deposits and other receivables, non-current portion	—	—	6,212	6,212
	—	—	299,052	299,052

31 December 2014

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables, non-current portion	—	—	573,849	573,849
Financial assets included in prepayments, deposits and other receivables, non-current portion	—	—	4,438	4,438
	—	—	578,287	578,287

31 March 2015

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables, non-current portion	—	—	589,532	589,532
Financial assets included in prepayments, deposits and other receivables, non-current portion	—	—	19,619	19,619
	—	—	609,151	609,151

Company

31 December 2012

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables, non-current portion	—	—	174,647	174,647
Financial assets included in prepayments, deposits and other receivables, non-current portion	—	—	4,088	4,088
	—	—	178,735	178,735

31 December 2013

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables, non-current portion	—	—	70,250	70,250
Financial assets included in prepayments, deposits and other receivables, non-current portion	—	—	4,010	4,010
	—	—	74,260	74,260

31 December 2014

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables, non-current portion	—	—	190,776	190,776
Financial assets included in prepayments, deposits and other receivables, non-current portion	—	—	3,143	3,143
	—	—	193,919	193,919

31 March 2015

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables, non-current portion	—	—	93,526	93,526
Financial assets included in prepayments, deposits and other receivables, non-current portion	—	—	3,287	3,287
	—	—	96,813	96,813

Liabilities for which fair values are disclosed:

Group

31 December 2012

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables, non-current portion	—	—	58,570	58,570
Interest-bearing bank and other borrowings	—	685,901	—	685,901
	—	685,901	58,570	744,471

31 December 2013

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables, non-current portion	—	—	66,409	66,409
Interest-bearing bank and other borrowings	—	351,452	—	351,452
	—	351,452	66,409	417,861

31 December 2014

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables, non-current portion	—	—	72,571	72,571
Interest-bearing bank and other borrowings	—	317,558	—	317,558
	—	317,558	72,571	390,129

31 March 2015

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables, non-current portion. .	—	—	74,993	74,993
Interest-bearing bank and other borrowings . . .	—	294,148	—	294,148
	—	294,148	74,993	369,141

Company

31 December 2012

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings . . .	—	450,000	—	450,000

31 December 2013

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings . . .	—	200,000	—	200,000

31 December 2014

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings . . .	—	300,000	—	300,000

31 March 2015

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings . . .	—	300,000	—	300,000

47. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are derecognised in their entirety

As at 31 December 2012, 2013 and 2014 and 31 March 2015, the Group endorsed and discounted certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB105,699,000, RMB179,496,000, RMB529,090,000 and RMB330,368,000, respectively. The Derecognised Bills had a maturity of one to twelve months at the end of each of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the Relevant Periods and the three months ended 31 March 2014, the Group has not recognised any gains or losses on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the periods or cumulatively. The endorsement has been made evenly throughout the Relevant Periods and the three months ended 31 March 2014.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the board of directors of the Company holds meetings regularly to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management.

(a) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in market interest rates. With its borrowings issued at fixed and floating interest rates, the Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. The Group's interest-bearing bank and other borrowings, pledged deposits and cash and cash equivalents are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to profit or loss as earned/incurred.

As at 31 December 2012, 2013 and 2014 and 31 March 2015, floating interest rate borrowings accounted for about 36%, 35%, 37% and 32% of the Group's borrowings, and fixed interest rate borrowings accounted for about 64%, 65%, 63% and 68%. Management would adjust the proportion of floating rate borrowings based on changes in the market interest rates to reduce the significant impact of the interest rate risk.

If there would be a general increase/decrease in the market interest rates by one percentage point, with all other variables held constant, the Group's consolidated pre-tax profit would have decreased/increased by approximately RMB2,440,000, RMB1,234,000, RMB1,176,000, RMB308,000 (unaudited) and RMB235,000 for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2014 and 2015, respectively, and there would be no impact on other components of the consolidated equity, except for retained profits, of the Group.

(b) **Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of the Group's business transacted in RMB, the aforesaid currency is defined as the Group's functional currency. 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 Group's revenue and expenses are mainly denominated in RMB and over 95% of the financial assets and liabilities are denominated in RMB. 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 the Group has not entered into any hedging transactions in order to reduce the Group's exposure to foreign currency risk in this regard.

Details of the Group's cash and cash equivalents and pledged deposits at the end of each of the Relevant Periods are disclosed in note 29 of this section.

The following table indicates the appropriate change in the Group's profit before tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure during the Relevant Periods and the three months ended 31 March 2014. The sensitivity analysis is on bank deposits in United States dollars and Euro.

Effects on profit before tax

	Increase/ (decrease) in foreign exchange rate	Increase/(decrease) in profit before tax				
		Year ended 31 December			Three months ended 31 March	
		2012	2013	2014	2014	2015
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
If RMB weakens against the United States dollar	5%	359	592	6,781	2,090	6,993
If RMB strengthens against the United States dollar	(5%)	(359)	(592)	(6,781)	(2,090)	(6,993)
If RMB weakens against the Euro	5%	834	267	362	105	326
If RMB strengthens against the Euro	(5%)	(834)	(267)	(362)	(105)	(326)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of each of the Relevant Periods and has applied the exposure to foreign currency risk to bank deposits denominated in United States dollars and Euro in existence at that dates.

(c) **Credit risk**

The carrying amounts of cash and cash equivalents, pledged deposits, trade and bills receivables, available-for-sale investments and financial assets included in prepayments, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. 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. 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.

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

As the Group's major customers are either PRC government agencies at the national, provincial and local levels or other SOEs, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. The senior management of the Company keeps reviewing and assessing the creditworthiness of the Group's existing customers on an ongoing basis. As the Group's exposure to credit risk spreads over a diversified portfolio of customers, there is no significant concentration of credit.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in notes 26 and 27 of this section.

(d) **Liquidity risk**

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments is as follows:

Group

	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2012				
Interest-bearing bank and other borrowings	521,422	119,293	126,477	767,192
Trade and bills payables	4,019,210	60,385	—	4,079,595
Financial liabilities included in other payables and accruals	403,635	—	—	403,635
Total	4,944,267	179,678	126,477	5,250,422
31 December 2013				
Interest-bearing bank and other borrowings	242,681	125,886	1,058	369,625
Trade and bills payables	5,243,880	69,344	—	5,313,224
Financial liabilities included in other payables and accruals	289,006	—	—	289,006
Total	5,775,567	195,230	1,058	5,971,855
31 December 2014				
Interest-bearing bank and other borrowings	235,514	92,185	880	328,579
Trade and bills payables	6,985,712	75,012	—	7,060,724
Financial liabilities included in other payables and accruals	787,767	—	—	787,767
Total	8,008,993	167,197	880	8,177,070
31 March 2015				
Interest-bearing bank and other borrowings	263,772	46,606	—	310,378
Trade and bills payables	7,606,103	77,495	—	7,683,598
Financial liabilities included in other payables and accruals	3,873,386	—	—	3,873,386
Total	11,743,261	124,101	—	11,867,362

Company

	Within 1 year
	RMB'000
31 December 2012	
Interest-bearing bank and other borrowings	466,113
Trade and bills payables	1,966,625
Financial liabilities included in other payables and accruals	3,356,716
Total	5,789,454
31 December 2013	
Interest-bearing bank and other borrowings	201,692
Trade and bills payables	2,213,934
Financial liabilities included in other payables and accruals	3,087,865
Total	5,503,491
31 December 2014	
Interest-bearing bank and other borrowings	303,372
Trade and bills payables	1,953,115
Financial liabilities included in other payables and accruals	4,534,371
Total	6,790,858
31 March 2015	
Interest-bearing bank and other borrowings	309,681
Trade and bills payables	2,342,348
Financial liabilities included in other payables and accruals	8,074,995
Total	10,727,024

(e) **Capital management**

The Group's primary objective for managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services and products commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debts. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors Capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, financial liabilities included in other payables and accruals, less cash and cash equivalents and pledged deposits. Capital includes the equity attributable to owners of the parent and non-controlling interests stated in the consolidated statements of financial position.

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings (note 32)	685,901	351,452	317,558	294,148
Trade and bills payables (note 30)	4,079,595	5,313,224	7,060,724	7,683,598
Financial liabilities included in other payables and accruals	403,635	289,006	787,767	3,873,386
Cash and cash equivalents (note 29)	(2,652,322)	(3,973,907)	(6,345,708)	(5,908,248)
Pledged deposits (note 29)	(103,435)	(124,214)	(163,466)	(166,798)
Net debt	2,413,374	1,855,561	1,656,875	5,776,086
Total equity	7,642,011	9,998,884	12,475,299	9,807,927
Capital and net debt	10,055,385	11,854,445	14,132,174	15,584,013
Gearing ratio	24%	16%	12%	37%

III. EVENTS AFTER THE REPORTING PERIOD

1. Pursuant to the shareholder's resolution of Zhengzhou Zhongyuan Railway Engineering Co., Ltd. (鄭州中原鐵道工程有限責任公司, "Zhengzhou Zhongyuan") dated 25 December 2014 and the confirmation dated 14 March 2015 entered into by the Company, Henan Zhongyuan Railway Investment Management Group Ltd. (河南中原鐵道投資管理集團有限公司, "Henan Zhongyuan") and Zhengzhou Zhongyuan, Henan Zhongyuan agreed to the Company's proposed acquisition of 65% of the enlarged share capital in Zhengzhou Zhongyuan by way of capital increase (the "Proposed Acquisition"). Prior to the Proposed Acquisition, Henan Zhongyuan was the sole shareholder of Zhengzhou Zhongyuan. On 16 May 2015, the Company and Henan Zhongyuan entered into a capital contribution agreement, pursuant to which the Company and Henan Zhongyuan agreed to increase the registered share capital of Zhengzhou Zhongyuan to RMB500 million, with the Company and Henan Zhongyuan contributing RMB325 million and RMB175 million, respectively. Upon completion of the Proposed Acquisition, the Company and Henan Zhongyuan will hold 65% and 35% of the equity interest in Zhengzhou Zhongyuan, respectively. Up to the date of this report, the acquisition has not been completed yet due to the fact that the Company has neither made the capital contribution nor acquired control over Zhengzhou Zhongyuan.

2. Pursuant to a resolution passed by the shareholders of the Company on 6 February 2015, which was amended and supplemented by the resolution of the shareholders of the Company passed on 21 May 2015, all the shareholders of the Company prior to the completion of the Listing of shares of the Company are entitled to a special dividend, which represents an amount equal to the retained profits of the Group attributable to the owners of the Company earned and accrued up to 30 June 2015. The first part of the special dividend representing retained profits of the Group as at 31 December 2014 of RMB3,227.7 million was properly accrued as at 31 March 2015. Further details are disclosed in note 12(i) to the Financial Information.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 March 2015.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

This information set forth in this Appendix II does not form part of the accountants' report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I in this Prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this Prospectus and the accountants' report set forth in Appendix I in the prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets attributable to the Shareholders of our Company has been prepared in accordance with Rule 4.29 of the Listing Rules, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to the Shareholders of our Company as of March 31, 2015, as if the Global Offering had taken place on March 31, 2015.

The statement of unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of March 31, 2015 or at any future date.

	Consolidated net tangible assets attributable to Shareholders of the Company as of March 31, 2015[1]	**Estimated net proceeds from the Global Offering[2]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company upon completion of the Global Offering [3]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share upon completion of the Global Offering [4]**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB[5]*	*HK$[6]*
Based on an Offer Price of HK$6.30 per Share .	8,064,233	8,479,608	16,543,841	1.89	2.39
Based on an Offer Price of HK$8.00 per Share . .	8,064,233	10,828,668	18,892,901	2.16	2.73

Notes:

(1) The consolidated net tangible assets attributable to the Shareholders of the Company as of March 31, 2015 is extracted from the Accountants' Report set out in Appendix I in this prospectus, which is based on the consolidated net assets attributable to the Shareholders of the Company as of March 31, 2015 of RMB8,959.4 million after deducting intangible assets of RMB658.5 million and goodwill of RMB236.7 million. For the avoidance of doubt, the consolidated net tangible assets attributable to the Shareholders of our Company as of March 31, 2015 have reflected the special dividend representing the undistributed distributable profit of the Group accrued up to December 31, 2014 as declared by the Company pursuant to the Special Dividends Resolutions. Pursuant to the Special Dividends Resolutions, the Company also declared special dividend representing the undistributed distributable profit of the Group accrued from January 1, 2015 to June 30, 2015, the amount of which is currently estimated to be RMB750 million. See "— Dividend and Dividend Policy" for details of all of the special dividends declared pursuant to the Special Dividends Resolutions and see footnotes 3 and 4 hereto for the pro forma information of the adjusted consolidated net tangible assets attributable to Shareholders of the Company after taking into account the effect of the special dividend for the period from January 1, 2015 to June 30, 2015.

(2) The estimated net proceeds from the Global Offering are based on an Offer Price of HK$6.30 and HK$8.00, after deducting the underwriting fees and other related expenses payable by the Company, without taking account of the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted into Renminbi at the PBOC rate of HK$1.00 = RMB0.7896 prevailing on July 20, 2015.

(3) If taking into account the effect of the special dividend for the period from January 1, 2015 to June 30, 2015, which is currently estimated to be RMB750 million, the unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company would be RMB15,793,840,626 (based on an Offer Price of HK$6.30 per Share), or RMB18,142,900,626 (based on an Offer Price of HK$8.00 per Share).

(4) If taking into account the effect of the special dividend for the period from January 1, 2015 to June 30, 2015, which is currently estimated to be RMB750 million, the unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share, would be RMB1.81 or HK$2.29 (based on an Offer Price of HK$6.30 per Share), or RMB2.07 or HK$2.63 (based on an Offer Price of HK$8.00 per Share).

(5) The unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 8,750,000,000 Shares, being the number of shares in issue assuming that the Global Offering had been completed on March 31, 2015, without taking account of the exercise of the Over-allotment Option.

(6) The unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share amounts in RMB are converted into Hong Kong dollars at HK$1.00 = RMB0.7896 prevailing on July 20, 2015.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION



22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

28 July 2015

To the Directors of China Railway Signal & Communication Corporation Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Railway Signal & Communication Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 March 2015 and related notes as set out on pages II-1 to II-2 of the Prospectus issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Part A of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 March 2015 as if the transaction had taken place at 31 March 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 31 March 2015, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

TAXATION OF H SHARE HOLDERS

The taxation of dividends and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on the laws and practices in effect as of the date of this prospectus, is subject to change and does not constitute legal or tax advices. This discussion does not deal with all possible tax consequences relating to the investment in the H Shares. Accordingly, you should consult your own tax adviser regarding the tax consequences of the investment in H Shares.

PRC

Taxation of Dividends

Individual Investors. According to the Individual Income Tax Law of the PRC (中華人民共和國個人所得税法) (the "IIT Law") promulgated on September 10, 1980, and amended for six times on October 31, 1993, August 30, 1999, October 27, 2005, June 29, 2007, December 29, 2007 and June 30, 2011, and the Regulation on the Implementation of the Individual Income Tax Law (中華人民共和國個人所得税法實施條例) (the "Regulation on Implementation of IIT Law") promulgated on January 28, 1994 and amended for three times on December 19, 2005, February 18, 2008 and July 19, 2011, individual shareholders are subject to income tax at a flat rate of 20% in respect of dividends paid by PRC companies. Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No.045 (關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知) promulgated by the SAT on June 28, 2011, dividends received by overseas resident individual shareholders from domestic non-foreign invested enterprises which have issued shares in Hong Kong are subject to individual income tax, which shall be withheld and paid by such domestic non-foreign invested enterprises acting as a withholding agent according to relevant laws. Overseas resident individual shareholders of domestic non-foreign invested enterprises which have issued shares in Hong Kong are entitled to relevant preferential tax treatment pursuant to the provisions in the tax treaties between the countries in which they are residents and China, or the tax arrangements between Mainland China and Hong Kong (Macau). According to the Notice of the SAT in relation to the Administrative Measures on Preferential Treatment entitled by Non-residents under Tax Treaties (Tentative) (國家税務總局關於印發〈非居民享受税收協定待遇管理辦法(試行)〉的通知) (Guo Shui Fa [2009] No.124), overseas resident individuals shall apply for relevant preferential tax treatment and complete relevant formalities in person or through an agent appointed in writing. Since dividends are generally subject to income tax at a tax rate of 10% as required by relevant tax treaties and arrangements, and there is a large number of shareholders and in order to simplify the collection of tax, individual shareholders are generally subject to a withholding

tax rate of 10% without any application when domestic non-foreign invested enterprises which have issued shares in Hong Kong distribute dividends. Where the tax rates on dividends are not 10%, the following requirements will apply:

- For individuals receiving dividends who are citizens from countries that have entered into tax treaties with the PRC with tax rates lower than 10%, the withholding agent will apply on behalf of them to seek entitlement of preferential tax treatments pursuant to Guo Shui Fa 2009 No.124, and upon approval by the competent tax authorities, the excess amounts withheld will be refunded;

- For individuals receiving dividends who are citizens from countries that have entered into tax treaties with the PRC with tax rates higher than 10% but lower than 20%, the withholding agent will withhold and pay the individual income tax at the agreed effective tax rates under the treaties, without seeking such approval;

- For individuals receiving dividends who are citizens from countries without tax treaties with the PRC or under other circumstances, the withholding agent will withhold and pay the individual income tax at the rate of 20%.

Enterprise Investors. According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) ("EIT Law") and the Regulation on the Implementation for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法實施條例) (the "Regulation on the Implementation of EIT Law"), both effective on January 1, 2008, a non-resident enterprise without an establishment or place of business in the PRC, or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, is subject to enterprise income tax at a flat tax rate of 10% on PRC-sourced income (including the dividends received from China resident enterprise which have issued shares in Hong Kong); for such income taxes payable by non-resident enterprises, the obligation to withhold and pay income tax at source falls upon the payer, who shall withhold and pay the enterprise income tax from the amount to be paid or due payable when paying such amount relating to any non-resident enterprise each time. According to the Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (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税有關問題的通知) (Guo Shui Han 2008 No.897) issued by the SAT on November 6, 2008, PRC resident enterprises shall withhold and pay the enterprise income tax at a flat rate of 10% for distribution of dividends for years starting from 2008 and onwards to their overseas non-resident enterprise shareholders of H Shares; and upon the receipt of such dividends, a non-resident enterprise shareholder may apply to the tax authorities for relevant treatment under the tax treaties (arrangement) in person or through an agent or a withholding obligator and provide evidence in support of its status as a beneficial owner as defined in the tax treaties (arrangement). Upon verification by the competent tax authority, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangement) will be refunded.

Tax on Capital Gains

Individual Investors. According to the IIT Law, individuals are subject to individual income tax at the tax rate of 20% on income from transfer of property. Pursuant to the Implementation Rules of the IIT Law, the MOF shall draft the measures for levying individual income tax on income from transfer of shares, which shall come into effect upon approval of the State Council. As of the Latest Practicable Date, however, no relevant measures have been drafted or enacted by the MOF yet. Under the Notice on Gains Derived by Individuals from Share Transfers Continue to be Exempt from Individual Income Tax (關於個人轉讓股票所得繼續暫免徵收個人所得税的通知) (Cai Shui Zi [1998] No.61) jointly issue by the MOF and the SAT on March 30, 1998, gains derived by individuals from transfer of shares in listed companies continue to be exempt from individual income tax since January 1, 1997. It is not certain whether Cai Shui Zi [1998] No.61 applies to such gains of H share transfer. To our best knowledge, as of the Latest Practicable Date, no legislation expressly provided individual income tax shall be levied on gains realized by non-resident individual holders from sale of shares of PRC resident enterprises listed on overseas stock exchanges, and in practice, no individual income tax has been levied by the PRC tax authorities on such gains so far.

Enterprise Investors. According to the EIT Law and the Regulation on the Implementation of EIT Law, a non-resident enterprise without an establishment or place of business in the PRC, or which have an establishment or place of business in the PRC but the relevant income is not effectively connected with the establishment or place of business in the PRC, is subject to enterprise income tax at a flat tax rate of 10% on PRC-sourced income(including gains from disposal of equity interests in PRC companies); for such income taxes payable by non-resident enterprises, the obligation to withhold and pay income tax at source falls upon the payer, who shall withhold and pay the enterprise income tax from the amount to be paid or due payable when paying such amount relating to any non-resident enterprise each time. Such tax rates may be reduced pursuant to the special arrangements or applicable treaties entered into between the PRC and the jurisdiction where the non-resident enterprise domiciles.

Taxation Policy of Shanghai-Hong Kong Stock Connect

On October 31, 2014, the MOF, the SAT and CSRC jointly issued the Circular on the Relevant Taxation Policy regarding the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong (關於滬港股票市場交易互聯互通機制試點有關税收政策的通知) (hereinafter referred to as "Shanghai-Hong Kong Stock Connect Taxation Policy"), which clarifies the relevant taxation policy under Shanghai-Hong Kong Stock Connect.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, individual income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect from November 17, 2014 to November 16, 2017. Business tax will be temporarily exempted in accordance with the current policy for spread income derived from dealing in shares listed on the Hong Kong Stock Exchange by mainland individual investors through Shanghai-Hong Kong Stock

Connect. For dividends obtained by mainland individual investors or mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, individual income tax is withheld by H-share companies at the tax rate of 20%; for dividends obtained by mainland individual investors or mainland securities investment funds from investing in non-H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, individual income tax is withheld by CSDCC at the tax rate of 20%. Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of CSDCC by producing the tax credit document.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, enterprise income tax will be levied according to law on transfer spread income (included in total income) derived from investment by mainland corporate investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. Business tax will be exempted in accordance with the current policy for spread income derived from dealing in stocks listed on the Stock Exchange by investors of mainland entities through Shanghai-Hong Kong Stock Connect. Enterprise income tax will be levied according to law on dividend income (included in total income) obtained by mainland corporate investors from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises which hold H stocks for at least 12 consecutive months. For dividend income obtained by mainland enterprise investors, H-share companies will not withhold dividend income tax for mainland enterprise investors. The tax payable shall be declared and paid by the enterprises themselves. Mainland enterprise investors, when declaring and paying enterprise income tax themselves, may apply for tax credit according to law in respect of dividend income tax which has been withheld and paid by non-H share companies listed on the Hong Kong Stock Exchange.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, mainland investors who transfer stocks listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect shall pay stamp duty in accordance with the current tax laws of Hong Kong. CSDCC and HKSCC may collect the abovementioned stamp duty on each other's behalf.

Additional Chinese Tax Considerations

PRC Stamp Duty. Under the Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花税暫行條例) and the Detailed Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花税暫行條例施行細則), both effective on October 1, 1988, PRC stamp duty is imposed on documents that are executed or received in the PRC and legally binding and protected under PRC law. Therefore, PRC stamp duty should not apply to acquisitions or dispositions of the H Shares outside of the PRC by non-resident shareholders.

Estate Duty. No estate duty has been defined and levied in China so far.

HONG KONG

Taxation on Dividends

Under the current practice, no tax is payable in Hong Kong in respect of dividends paid by us.

Tax on Gains from Sale

No tax is imposed in Hong Kong in respect of capital gains. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers could prove that the investment securities are held for long-term investment purpose.

Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for, or the market value of, the H shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H shares. Where one of the parties is resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 repealed the relevant provisions of estate duty in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

Hong Kong Taxation

Our directors are of the opinion that only our revenue derived from or arise in Hong Kong would be subject to Hong Kong taxations.

TAXATION OF THE COMPANY IN THE PRC

Income Tax

On March 16, 2007, the 10th NPC adopted the new EIT Law. The new EIT Law came into effect on January 1, 2008, according to which the enterprise income tax rate in the PRC is 25% and is in line with the rate applicable to foreign investment enterprises and foreign enterprises.

As our Company is a Hi-tech enterprise certified under the Administrative Measures for the Recognition of Hi-tech Enterprises (高新技術企業認定管理辦法) (Guo Ke Fa Huo [2008] No.172) which was jointly promulgated by the Ministry of Science and Technology, MOF and SAT, the provision "Hi-tech enterprises that require key state support are subject to the enterprise income tax at a reduced rate of 15%" under the EIT Law of the PRC shall apply to it. Therefore, its applicable enterprise income tax rate is 15% in 2012, 2013 and 2014.

Value Added Tax

Pursuant to the Provisional Regulations of the PRC Concerning Value Added Tax (中華人民共和國增值税暫行條例) effective from January 1, 1994 which was amended in January 1, 2009 and its implementing rules, the sale of products within the PRC, the importation of products and the provision of processing and/or repair services within the PRC by our Company are subject to value added tax ("VAT"). Pursuant to the Plan for the Pilot Practice of Levying Value Added Tax in Lieu of Business Tax (營業税改徵增值税試點方案) (Cai Shui [2011] No.110), Circular of the MOF and the SAT on the Inclusion of the Railway Transport Industry and Postal Service Industry in the Pilot Collection of Value-added Tax in Lieu of Business Tax (財政部、國家税務總局關於將鐵路運輸和郵政業納入營業税改徵增值税試點的通知) (Cai Shui [2013] No.106) promulgated by the MOF and the SAT, value added tax of 6% shall apply to the Company's research and development and technical service businesses and business tax is no longer payable.

Business Tax

Pursuant to the Provisional Regulations of the PRC Concerning Business Tax (中華人民共和國營業税暫行條例) effective from January 1, 1994 which was amended in January 1, 2009 and its implementing rules, the business tax is levied at a rate from 3% to 20% on the provision of taxable services, transfer of intangible property or sale of real estate in the PRC.

FOREIGN EXCHANGE CONTROL

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible at this time. SAFE, under the authority of PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated new Regulation of Foreign Exchange of the PRC (中華人民共和國外匯管理條例) (the "Foreign Exchange Regulations"), which took effect on April 1, 1996. The Foreign Exchange Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to approval of SAFE while capital account items still are. The Foreign Exchange Regulations was subsequently amended on January 14, 1997 and on August 1, 2008. This latest amendment affirmatively states that the state shall not restrict international current account payments and transfers.

On June 20, 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the "Settlement Regulations"), which took effect on July 1, 1996. The Settlement Regulations superseded the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯暫行規定) and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On October 25, 1998, PBOC and SAFE jointly promulgated the Notice Concerning Closure of the Foreign Exchange Swap Business Activities (關於停辦外匯調劑業務的通知) pursuant to which and with effect from December 1, 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprise shall come under the banking system for the settlement and sale of foreign exchange.

On July 21, 2005, PBOC announced that from the same date, the PRC would implement a managed floating exchange rate system based on market supply and demand and with reference to a basket of currencies. Therefore, the Renminbi was no longer only pegged to the U.S. dollar. PBOC would announce the closing price of a foreign currency such as the U.S. dollar against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day. This closing price will be used as the middle price for quoting the Renminbi exchange rate on the following working day.

Since January 4, 2006, PBOC improved the method of generating the middle price for quoting the Renminbi exchange rate by introducing an enquiry system while keeping the match-making system in the inter-bank spot foreign exchange market. In addition, PBOC provided liquidity in the foreign exchange market by introducing the market-making system in the inter-bank foreign exchange market. After the introduction of the enquiry system, the generation of the middle price for quoting the Renminbi was transformed to a mechanism under which PBOC authorized the China Foreign Exchange Trading System to determine and announce the middle price for quoting the Renminbi against the U.S. dollar, based on the enquiry system, at 9:15 am on each business day.

The foreign exchange income under the current items may be reserved or sold to financial institutions operating foreign exchange sale and settlement business. Before reserving the foreign exchange income under the capital items or selling it to any financial institution operating foreign exchange sale and settlement business, approval of the competent foreign exchange administrative authorities shall be obtained, unless it is otherwise provided by the State.

PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, on the strength of valid receipts and proof of transactions. Foreign-invested enterprises, which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises, which in accordance with regulations are required to pay dividends to shareholders in foreign currency, may, on the strength of general meeting resolutions of such PRC enterprises or board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

According to the Circular of the SAFE on Further Improving and Adjusting the Policies on Capital Account Foreign Exchange Administration (國家外匯管理局關於進一步改進和調整資本項目外匯管理政策的通知) (Hui Fa [2014] No.2) which was promulgated by SAFE on January 10, 2014 and became effective on February 10, 2014, administration over the outflow of profits by domestic institutions shall be simplified:

(1) In principle, a bank is no longer required to examine transaction documents when handling the outflow of profits of not more than the equivalent of USD 50,000 for a domestic institution. When handling the outflow of profits exceeding the equivalent of USD 50,000 for a domestic institution, the bank, in principle, is no longer required to examine the financial audit report and capital verification report of the domestic institution, provided that it shall examine, according to the principle of transaction authenticity, the profit distribution resolution of the board of directors (or the profit distribution resolution of all partners) that is related to this profit outflow and the original copy of its tax record-filing form. After each profit outflow, the bank shall affix endorsements on the original copy of the relevant tax record-filing form to indicate the actual amount of the profit outflow and the date of outflow.

(2) Restrictions that the amount of profits disposed of by an enterprise in the current year shall, in principle, not exceed the sum of the "dividends payable" and the "undistributed earnings" attributable to foreign shareholders in the latest financial audit report shall be abolished.

Dividends to holders of H Shares are fixed in Renminbi but must be paid in Hong Kong dollars.

In addition, the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知) promulgated and implemented by SAFE on December 26, 2014 stipulates the foreign control matters for the domestic enterprises listed offshore:

- SAFE and its branches (the "FE") supervises, manages and examines the business registration, account opens and uses, the cross-border income and expenses, capital exchange for the local enterprises listed offshore.

- A domestic enterprise shall register in relation to its offshore listing with FE at the place of its incorporation with relevant documents within 15 working days upon the end of its initial offering overseas.

- A domestic shareholder of an oversea-listing enterprise who intends to purchase or reduce its foreign shareholding after the overseas listing of the domestic enterprise shall register its overseas shareholding with the local FE with relevant documents within 20 working days before purchasing or reducing its overseas shareholding.

- For its initial offering (or additional offering) and repurchase of shares, a domestic enterprise (other than banking financial institutions) shall open a "special foreign exchange account for domestic enterprises to list overseas" at a domestic bank with a registration certificate of overseas listing to exchange and transfer funds related to such business.

- A domestic enterprise may repatriate the capital raised offshore to its own domestic account or retain at its own offshore account. The capital purpose shall be consistent with the related contents set out in publicly disclosed documents such as the prospectus or corporate bond prospectus, shareholder circulars, board resolutions or resolutions in the general meeting.

PRC LAWS AND REGULATIONS

Part I: The PRC Legal System

The PRC legal system is based on the PRC Constitution (the "Constitution") and is made up of laws, administrative regulations, local regulations, autonomy regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments and international treaties of which the PRC government is a signatory. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC (the "NPC") and the Standing Committee of the NPC are empowered to exercise the legislative power of the PRC. The NPC has the power to enact and amend the laws governing criminal and civil matters, state organs and other aspects. The Standing Committee of the NPC is empowered to enact and amend laws other than those required to be enacted by the NPC, and may supplement and amend the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments shall not be in conflict with the basic principles of such laws.

The State Council is the executive agency of the highest organ of state power as well as the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities directly under the control of the central government and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, subject to the Constitution, laws and administrative regulations. The people's congresses of larger cities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of such cities, subject to the Constitution, laws, administrative regulations and local regulations of the relevant provinces or autonomous regions, and implement the same upon approval from the respective standing committees of the people's congresses of provinces or autonomous regions. The standing committees of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of the province or autonomous region concerned. Where conflicts with the rules and regulations of the government of the province or autonomous region concerned are identified in the examination of local regulations of larger cities by the standing committee of the people's congresses of provinces or autonomous regions, a decision should be made to resolve the issue. "Larger cities" refer to cities where the governments of provinces or autonomous regions are located, cities where special economic zones are located and larger cities as approved by the State Council.

The people's congresses of ethnic autonomous regions have the power to enact autonomous regulations and special rules in the light of the political, economic and cultural characteristics of ethnic groups in the region. The autonomous regulations or special rules enacted by an autonomous region shall be effective upon approval by the Standing Committee of the NPC. The autonomous regulations or special rules enacted by an autonomous prefecture or autonomous county shall be effective upon approval by the standing committee of the people's congress of the province, autonomous region or municipality concerned. The autonomous regulations or special rules under the laws or administrative regulations may be applied, mutatis mutandis, pursuant to the characteristics of the ethnic groups, so long as they do not contravene the basic principles of such laws or administrative regulations, but no adaptations shall be made to the provisions of the Constitution, the Law on Regional National Autonomy (民族區域自治法) and other relevant laws or administrative regulations specifically enacted for the ethnic autonomous regions.

The ministries, commissions, the PBOC, the audit office and the institutions of all businesses with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and administrative regulations, decisions and rulings of the State Council. Provisions of departmental rules and regulations should relate to the enforcement of the laws and administrative regulations or the decisions and rulings of the State Council. The governments of provinces, autonomous regions, municipalities directly under the control of the central government and larger cities may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

The power to interpret laws is vested in the Standing Committee of the NPC. According to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law passed on June 10, 1981, the Supreme People's Court has the power to provide general interpretation of the application of laws and orders in judicial proceedings. The power to interpret the application of laws and orders which are not in judicial proceedings is vested in the State Council and the competent authorities. The standing committees of the people's congresses of provinces, autonomous regions or municipalities directly under the control of the central government shall give interpretation or implement regulations where further explanation or supplementary regulations is required for regional regulations. The government of provinces, autonomous regions or municipalities directly under the control of the central government shall give interpretation of the application of laws and regulations of their respective regions.

Part II: The PRC Judicial System

Under the Constitution and the Law of Organization of the People's Courts of the PRC, the PRC judicial organ is made up of the Supreme People's Court, the local people's courts, military courts, maritime courts and other special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are further divided into criminal, civil and economic divisions. The intermediate people's courts have divisions similar to those of the basic people's courts and other

special divisions. These two levels of people's courts are subject to supervision of people's courts at higher levels. The people's procuratorates also have the power to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial organ. It supervises the administration of justice by the local people's courts at all levels and the special people's courts.

The people's courts adopt a two-tier trial system in the trial of cases. A party to the case concerned may appeal against the judgment or ruling of the first instance of a local people's court at all levels. The people's procuratorate may protest to the people's court at the next higher level in accordance with procedures stipulated by the laws. In the absence of any appeal by any parties to the case and any protest by the people's procuratorate within the period for appeal, the judgment or ruling of the people's court shall be final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court as well as the judgments or rulings of the first instance of the Supreme People's Court shall be final and legally binding. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a final and binding judgment which has taken effect in any people's court at a lower level, the people's court at a lower level may be required to conduct a retrial of the case according to the trial supervision procedures. If the presiding judge of a people's court finds an error in a final and binding judgment which has taken effect in the court over which he presides in the confirmed facts or the application of laws, the case shall be submitted to the judicial committee of a people's court for discussion and a retrial may be conducted according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (the "Civil Procedure Law") adopted on April 9, 1991 and amended on October 28, 2007 and August 31, 2012 prescribes the provisions for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action, the judicial procedures, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a court located in the defendant's place of domicile. The parties to disputes involving contracts or other property rights may also, by written agreement and subject to the provisions of level jurisdiction and exclusive jurisdiction, select the people's courts with its locality with effective connection of the disputes, such as the defendant's place of domicile, the place of performance of the contract, the place of execution of the contract, the plaintiff's place of domicile or the place of the object of the action. A foreign national or foreign enterprise is generally given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a court of a foreign country limit the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within a stipulated period. Specific time limits are imposed on the rights to apply for such enforcement. The time limit is two years. The legal provisions related to the termination or suspension of legal proceedings are applicable to the termination or suspension of the time limit. If a party fails to satisfy a judgment which the court has granted approval to enforce within the stipulated time, the court will, upon application of the other party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or ruling. Similarly, if the PRC has entered into a treaty relating to judicial enforcement with the relevant foreign country or a relevant international treaty, a foreign judgment or ruling may also be recognized and enforced according to PRC enforcement procedures by a PRC court based on the equity principle unless the people's court considers that the recognition or enforcement of a judgment or ruling will violate the basic legal principles of the PRC or its sovereignty or national security, or social and public interest.

Part III: The PRC Company Laws and Regulations

The Company Law of the People's Republic of China (the "Company Law") was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013. The revised Company Law came into effect on March 1, 2014.

The Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Stocks by Limited Stock Companies (the "Special Regulations") were passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994 and promulgated and implemented on August 4, 1994. The Special Regulations prescribe the matters for a joint stock limited company to comply with in its overseas issue and listing.

The Mandatory Provisions on the Articles of Associations of Overseas Listed Companies (the "Mandatory Provisions") were formulated by the Securities Commission of the State Council and the State Commission for Restructuring Economy according to article 13 of the Special Regulations on August 27, 1994. The Mandatory Provisions prescribe provisions which must be incorporated in the articles of association of joint stock limited companies to be listed on overseas stock exchanges.

Set out below is a summary of the major provisions of the Company Law, the Special Regulations and the Mandatory Provisions.

General

A "joint stock limited company" is a corporate legal person incorporated under the Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company is limited to the full amount of its properties and the liability of its shareholders is limited to the extent of the shares subscribed by them.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by a minimum of two but no more than 200 promoters, and at least half of the promoters must have

residence within the PRC. For company established by promotion, the registered capital is the total capital registered under the relevant companies registration authorities and being subscribed for by the promoters. Shares in the company shall not be offered to other persons unless the share capital subscribed for by the promoters has been paid up. For company established by subscription, the registered capital is the amount of its total paid-up capital as registered with the relevant companies registration authorities.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for all the shares required to be subscribed for by them under the articles of association and the payment shall be made in accordance with the articles of association. Procedures relating to the transfer of titles for non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provision shall assume liabilities for breach of contract in accordance with the covenants laid down in the promoters' agreement. After the promoters have paid up their respective capital contributions as set out in the articles of association, a board of directors and a supervisory committee shall be elected and the board of directors shall apply for registration of incorporation by filing the articles of association with the company registration authorities, together with other documents required by the law or administrative regulations.

Where companies are incorporated by subscription, not less than 35% of their total shares must be subscribed for by the promoters, unless otherwise provided by the law or administrative regulations. A promoter who offers shares to the public must publish a share offer prospectus and draft a share subscription form to be signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and the subscribers' addresses. The subscribers shall pay up the amounts for the number of shares they have subscribed for. Where a promoter is offering shares to the public, such offer shall be underwritten by securities houses established by law, in relation to which underwriting agreements shall be signed. A promoter offering shares to the public shall also sign an agreement with a bank in relation to the receipt of subscription amounts. The receiving bank shall receive and keep in custody the subscription amounts, issue receipts to subscribers who have paid the subscription amounts and furnish evidence of receipt of subscription amounts to relevant authorities. After the subscription amounts for the share issuance have been paid in full, a capital verification institution established by law must be engaged to conduct capital verification and furnish a report thereon. The promoters shall convene an inauguration meeting within 30 days after the subscription amounts have been paid in full. The inauguration meeting shall be formed by the promoters and subscribers. Where shares issued remain undersubscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days after subscription amounts for the shares issued have been fully paid up, the subscribers may demand the promoter to return the subscription amounts so paid up together with interest at bank rates for a deposit for the same term. Within 30 days after the conclusion of the inauguration meeting, the board of directors shall apply to the registration authority for registration of the establishment of the company. A company is formally established and has the status of a legal person after the approval of registration has been given by the relevant administration bureau for industry and commerce and a business license has been issued.

A company's promoter shall individually and collectively be liable for:

(1) the debts and expenses incurred from incorporation if the company cannot be incorporated;

(2) the repayment of subscription moneys to the subscribers together with interest at bank rates for a deposit for the same term if the company cannot be incorporated; and

(3) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

According to the Provisional Regulations Concerning the Issue and Trading of Shares promulgated by the State Council on April 22, 1993 (which is only applicable to issue and trading of shares in the PRC and their related activities), if a company is established by means of subscription, the promoters of such company are required to assume joint responsibility for the accuracy of the contents of the prospectus and to ensure that the prospectus does not contain any misleading statement or omit any material information.

Share capital

The promoter may make capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised by monetary value and transferred lawfully, save for assets prohibited to be contributed as capital by the law or administrative regulations. If a capital contribution is made with non-monetary assets, a valuation and verification of the asset contributed must be carried out without any over- valuation or under-valuation, subject to any provisions of the law or administrative regulations on valuation.

A company may issue registered or bearer share certificates. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency. Shares issued to foreign investors and investors from the territories of Hong Kong, Macau and Taiwan and listed in Hong Kong are classified as H shares, and those shares issued to investors within the PRC (other than the territories specified above) are known as domestic shares. Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of H shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares. The share offering price may be equal to or greater than the par value, but may not be less than the par value.

Increase in share capital

According to the Company Law, the issuance of shares shall be conducted in a fair and equitable manner. Shares in the same class shall rank *pari passu* with one another. Shares of the same class in the same offer shall be issued on the same terms and at the same price. The same price per share shall be paid by any organizations or individuals subscribing for shares.

Where a company is issuing new shares, resolutions shall be passed by the shareholders' general meeting or the board of directors in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end of the new share issue and the class and amount of new shares proposed to be issued to existing shareholders. When a company launches a public issue of new shares with the approval of the CSRC, a new share offering prospectus and financial accounting report must be published and a subscription form must be prepared. After the new share issue of the company has been paid up, the change must be registered with the company registration authorities and an announcement must be made. Where a company is issuing new shares to increase its registered capital, the subscription of new shares by shareholders shall be conducted in accordance with provisions on the payment of subscription amounts in relation to the incorporation of the company.

Reduction of share capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

(1) the company shall prepare a balance sheet and an inventory of asset;

(2) the reduction of registered capital must be approved by shareholders in a shareholders' general meeting;

(3) the company shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;

(4) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; and

(5) the company must apply to the relevant administration bureau for industry and commence for registration of the reduction in registered capital.

Repurchase of shares

A Company may not purchase its own shares other than for one of the following purposes:

(1) to reduce its registered share capital;

(2) to merge with another company that holds its shares;

(3) to grant shares to its employees as incentives; and

(4) to purchase its own shares by request of its shareholders who vote against a resolution regarding a merger and demerger in a shareholders' general meeting.

The company's acquisition of its own shares on the grounds set out in paragraphs (1) to (3) above shall require approval by way of a resolution of the shareholders' general meeting. Following the company's acquisition of its shares in accordance with the foregoing, such shares shall be cancelled within 10 days from the date of acquisition under paragraph (1) and transferred or cancelled within six months under paragraphs (2) or (4).

Shares acquired by the company in accordance with paragraph (3) above shall not exceed 5% of the total number of issued shares of the company. Such acquisition shall be financed by funds appropriated from the company's profit after taxation, and the shares so acquired shall be transferred to the employees within one year.

Transfer of shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. A shareholder may only effect a transfer of its shares on a stock exchange established in accordance with law or by any other way as required by the State Council. Registered shares may be transferred after the shareholders endorse their signatures on the back of the share certificates or in any other manner specified by the law or administrative regulations. Following the transfer, the company shall enter the name and address of the transferee into the share register. No changes of registration in the share register provided in the foregoing shall be effected during a period of 20 days prior to the convening of a shareholders' general meeting or five days prior to the record day for the purpose of determining entitlements to dividend distributions, subject to any legal provisions on the registration of changes in the share register of listed companies. The transfer of a bearer's share certificate shall become effective upon the delivery of such share certificate to the transferee by the shareholder.

Shares held by a promoter may not be transferred within one year after the company's establishment. Shares of the company issued prior to the public issue of shares shall not be transferred within one year from the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in the company and any changes of such shareholdings. During their term of office, they shall transfer no more than 25% of the total shares they hold in the company per year. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, nor within six months after they have resigned from their positions with the company. The articles of association of the company may lay down other restrictive provisions in respect of the transfer of shares in the company held by the directors, Supervisors and the senior management of the company.

Shareholders

Under the Company Law, the rights of a shareholder include rights:

(1) to participate in significant decision-making and be able to choose the management;

(2) to petition the people's court to revoke any resolution passed at a general meeting or a meeting of board of directors that has been convened or whose voting has been conducted in a manner violating the law, or any resolution that is in violation of the articles of association, provided that such petition is submitted within 60 days of the passing of such resolution;

(3) to transfer shares according to the applicable laws and regulations and the articles of association of the company;

(4) to appoint a proxy to attend general meetings;

(5) to inspect the articles of association, share register, counterfoil of company debentures, minutes of general meetings, board resolutions, resolutions of the supervisory committee and financial and accounting reports and to make proposals or enquiries in respect of the company's operations;

(6) to receive dividends in respect of the number of shares held;

(7) to receive residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and

(8) any other shareholders' rights provided for in the articles of association of the company.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them and any other shareholders' obligation specified in the company's articles of association.

General meetings

The general meeting of shareholders is the organ of authority of a company, which exercises its powers in accordance with the Company Law. The general meeting may exercise its powers:

(1) to decide on the company's operational directions and investment plans;

(2) to elect and remove the directors and supervisors (not being staff representative) and to decide on matters relating to the remuneration of directors and supervisors;

(3) to examine and approve reports of the board of directors;

(4) to examine and approve reports of the supervisory committee or supervisor;

(5) to examine and approve the company's proposed annual financial budget and final accounts;

(6) to examine and approve the company's proposals for profit distribution plans and recovery of losses;

(7) to decide on any increase or reduction of the company's registered capital;

(8) to decide on the issue of bonds by the company;

(9) to decide on issues, such as merger, division, dissolution and liquidation of the company;

(10) to amend the company's articles of association; and

(11) other authorities as provided for in the articles of association of the company.

General meetings are required to be held once every year. An extraordinary general meeting is required to be held within 2 months after the occurrence of any of the following:

(1) the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association;

(2) the aggregate losses of the company which are not made up reach one-third of the company's total share capital;

(3) when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;

(4) whenever the board of directors deems necessary;

(5) when the supervisory committee so requests; or

(6) other circumstances as provided for in the articles of association of the company.

General meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by the majority of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Notice of the general meeting stating the time and venue of and matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. In accordance with the Mandatory Provisions, notice of the general meeting stating, among other things, matters to be considered at the meeting shall be given to all shareholders 45 days before the meeting. Shareholders intending to attend the meeting shall return the reply slip to the company within 20 days before the meeting. Notice of extraordinary general meetings shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer's share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. Shareholders alone or in aggregate holding more than 3% of the company's shares may submit interim proposals to the board of directors in writing 10 days before the general meeting.

The board of directors shall notify other shareholders within 2 days after receiving such proposal and submit such interim proposal for review by the general meeting. Interim proposals shall be within the powers of the general meeting and shall carry specific subjects and matters for resolution. A general meeting shall not make any resolution in respect of any matters not set out in the two types of notices mentioned above. Holders of bearer's share certificate who wish to attend the general meeting shall deposit his share certificates with the company 5 days before the meeting, which share certificates shall remain in the custody of the company until the close of the general meeting.

Shareholders present at a general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights. Resolutions of the general meeting must be adopted by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division, dissolution of a company, increase or reduction of registered share capital, change of company form or amendments to the articles of association, which must be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting. Where the Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by a company must be approved by way of resolution of the general meeting, the directors shall convene a general meeting promptly to vote on the above matters. The accumulative voting system may be adopted pursuant to the provisions of the articles of association or a resolution of the general meeting for the election of directors and supervisors at the general meeting. Under the accumulative voting system, each share shall be entitled to votes equivalent to the number of directors or supervisors to be elected for the election of directors and supervisors at the general meeting, and shareholders may consolidate their voting rights when casting a vote. Minutes shall be prepared in respect of matters considered at the general meeting and the president of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

According to the Mandatory Provisions, the increase or reduction of share capital, the issue of shares of any class, warrants or other similar securities, and bonds, the division, merger, dissolution and liquidation of the company, the amendment to the company's articles of association and any other matters resolved at the general meeting by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by special resolution, must be approved through special resolutions by more than two-thirds of the voting rights held by shareholders present at the meeting.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a general meeting, although the Special Regulations and the Mandatory Provisions provide that a company's general meeting may be convened when written replies to the notice of that meeting from shareholders holding shares representing 50% of the voting rights in the company have been received 20 days before the proposed date, or if that 50% level is not achieved, the company shall within 5 days of the last day for receipt of the replies notify shareholders again by announcement of the matters to be considered at the meeting and the date and place of the meeting and the general meeting may be held thereafter.

The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a shareholder class. Holders of domestic invested shares and holders of H shares are deemed to be different classes of shareholders for this purpose.

Directors

A company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include staff representatives, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than 3 years. A director may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director 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 directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors may exercise its powers:

(1) to convene the general meetings and report on its work to the general meetings;

(2) to implement the resolutions passed by the shareholders in general meetings;

(3) to decide on the company's business plans and investment proposals;

(4) to formulate the company's annual financial budget and final accounts;

(5) to formulate the company's profit distribution proposals and for recovery of losses;

(6) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of the corporate bonds;

(7) to prepare plans for the merger, division or dissolution of the company or change in formation of the company;

(8) to decide on the company's internal management structure;

(9) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss the deputy manager(s) and financial officers of the company and to decide on their remuneration;

(10) to formulate the company's basic management system; and

(11) to exercise other powers under the articles of association of the company.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisory committee. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors. Meetings of the board of directors shall be held only if more than half of the directors are present. According to the Mandatory Provisions, meetings of the board of directors shall be held if half or more of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the law, administrative regulations, the company's articles of association or the resolution of the general meetings, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved from that liability.

Under the Company Law, the following persons may not serve as a director of a company:

(1) persons without civil capacity or with restricted civil capacity;

(2) persons who have committed the offence of corruption, bribery, taking of property, misappropriation of property or destruction of the socialist economic order, and have been sentenced to criminal punishment, where less than 5 years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offence, where less than 5 years have elapsed since the date of the completion of implementation of this deprivation;

(3) persons who are directors, factory president or president of a company or enterprise which has become bankrupt and been liquidated and who are personally liable for the bankruptcy of such company or enterprise, where less than 3 years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(4) persons who were legal representatives of a company or enterprise which had its business license revoked or ordered for closure due to violation of laws and who are personally liable, where less than 3 years have elapsed since the date of the revocation of the business license;

(5) persons who have a relatively large amount of debts due and outstanding.

The election or appointment of directors elected or appointed by the company in violation of the aforesaid provisions shall be null and void. Directors committing the above during their terms of office shall be removed from their posts by the company.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions. The board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist in the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by the majority of directors shall perform his duties.

Supervisors

A company shall have a supervisory committee composed of not less than 3 members. 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 of association, 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. The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee are elected with approval of more than half of all the supervisors.

The chairman of the supervisory committee shall convene and preside over supervisory committee meetings. In the event that the chairman of the supervisory committee is incapable of performing or not performing his duties, the vice chairman of the supervisory committee shall convene and preside over supervisory committee meetings. In the event that the vice chairman of the supervisory committee is incapable of performing or not performing his duties, a supervisor nominated by the majority of supervisors shall convene and preside over supervisory committee meetings. Directors and the senior management may not act concurrently as supervisors.

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 of association 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 may exercise its powers:

(1) to review the company's financial position;

(2) to supervise the directors and the senior management in their performance of their duties and to propose the removal of directors and the senior management who have violated laws, regulations, the articles of association of the company or shareholders' resolutions;

(3) when the acts of a director or manager is detrimental to the company's interests, to require the director and the senior management to correct these acts;

(4) to propose the convening of extraordinary general meetings and to convene and preside over shareholders' meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' meeting under the Company Law;

(5) to propose any bills to shareholders' general meetings;

(6) to initiate proceedings against directors and the senior management in accordance with the relevant requirements of the Company Law;

(7) other powers specified in the articles of association of the company.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The supervisory committee may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist their work at the company's expense.

Manager and the senior management

A company shall have a manager who shall be appointed or removed by the board of directors. The manager may exercise the following powers:

(1) manage the production, business and administration of the company and arrange for the implementation of resolutions of the board of directors;

(2) arrange for the implementation of the company's annual business plans and investment proposals;

(3) formulate plans for the establishment of the company's internal management structure;

(4) formulate the basic administration system of the company;

(5) formulate the company's internal rules;

(6) recommend the appointment and dismissal of deputy manager(s) and any financial controller;

(7) appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors);

(8) other powers conferred by the board of directors.

Other provisions of the company's articles of association on the manager's powers shall also be complied with. The manager shall be in attendance at board meetings. President who are not directors have no voting rights at board meetings.

According to the Company Law, the senior management shall mean the manager, deputy manager(s), financial controller, board secretaries of a listed company and other personnel as stipulated in the articles of association of the company.

Duties of the directors, supervisors, manager and other members of the senior management

Directors, supervisors, manager, deputy manager(s) and the senior management of a company are required under the Company Law to comply with the relevant laws, regulations and the articles of association of the company, and carry out their duties honestly and diligently. Directors, supervisors, manager and other members of the senior management are prohibited from accepting bribes or other unlawful income and from misappropriating the company's properties. Directors and officers are prohibited from:

(1) misappropriating of company funds;

(2) depositing of company funds into accounts under their own name or the name of other individuals;

(3) lending company funds to others or providing guarantees in favor of others supported by the company properties in violation of the articles of association or without approval of the shareholders' general meeting or the board of directors;

(4) entering into contracts or deals with the company in violation of the articles of association or without approval of the shareholders' general meeting or the board of directors;

(5) using their positions and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or managing on behalf of others' businesses similar to that of the company without approval of the shareholders' general meeting;

(6) accepting for their own benefit commission from a third party dealing with the company;

(7) unauthorized divulgence of confidential information of the company;

(8) other acts in violation of the fiduciary duty to the company.

Income generated by directors or the senior management in violation of the foregoing provisions shall be reverted to the company.

A director, supervisor or member of the senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Where a director, supervisor or member of the senior management is required to attend a shareholders' general meeting, such director, supervisor or member of the senior management shall attend the meeting and answer enquiries from shareholders. Directors and members of the senior management shall furnish all truthful facts and information to the supervisory committee or the supervisor (for companies with limited liability that do not have supervisory committees) without impeding the discharge of duties by the supervisory committee or the supervisors.

Where a director or the senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company, shareholders holding alone or in aggregate more than 1% of the company's shares consecutively for 180 days may request in writing the supervisory committee to institute litigation at the people's court on their behalf. Where the supervisory committee violates the law or administrative regulations or the company's articles of association in the discharge of their duties resulting in losses to the company, the aforesaid shareholders may request in writing the board of directors to institute litigation at the people's court on their behalf. In the event that the supervisory committee or the board of directors refuses to institute litigation after receiving the written request of shareholders as provided in the foregoing, or fails to institute litigation within 30 days after receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interest, shareholders mentioned in the foregoing shall have the power to institute litigation directly at the people's court in their own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in losses to the company, shareholders may institute litigation at the people's court in accordance with provisions in the foregoing paragraphs. Where a director or the senior management contravenes any law, administrative regulation or the articles of association and infringes shareholders' interests, shareholders may also institute litigation at the people's court.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, manager and other members of the senior management shall have fiduciary duties towards the company. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions contain detailed stipulations on these duties.

Finance and accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. A company shall prepare a financial report, which shall be audited by an accountant as provided by law, at the end of each financial year. The financial and accounting reports shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

A company shall make available its financial statements at the company's registered address for the inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. A joint stock limited company whose shares are publicly issued must publish its financial statements. When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory common reserve fund (except where the fund has reached 50% of the company's registered capital). When the company's statutory common reserve fund is not sufficient to make up for the company's losses of previous years, current year profits shall be used to make up the losses before allocations are set aside for the statutory common reserve fund. After the company has made appropriations to the statutory common reserve fund from its after-tax profit, it may, with the approval of the shareholders' meeting or the general meeting by way of resolution, make further appropriations from its after-tax profit to the discretionary common reserve fund. After the company has made up its losses and made allocations to its common reserve fund, the remaining profits are distributed in proportion to the number of shares held by the shareholders, except for distributions stipulated by the articles of association of the company which are not to be made in a proportionate manner.

Profit distributed to shareholders by resolution of a general meeting or the board of directors before losses have been made good and appropriations have been made to the statutory common reserve fund in violation of the foregoing provisions must be returned to the company. Shares held by the company shall not be entitled to any distribution of profits.

The premium over the nominal value of the shares of the company on issue and other income required by the relevant governmental authority to be treated as the capital common reserve shall be accounted for as capital common reserve. The common reserve of a company shall be applied to make up the company's losses, expand the business operations of the company or increase the company's capital. The capital common reserve shall not be used to make good the company's losses. Upon the conversion of statutory common reserve into capital, the balance of the statutory common reserve shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. The company's assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and dismissal of auditors

Pursuant to the Company Law, the appointment or dismissal of accountants responsible for the company's auditing shall be determined by the shareholders' meeting, general meeting or the board of directors in accordance with the articles of association of the company. The accountant shall be allowed to make statements when the general meeting or the board of directors is going to conduct a vote on the dismissal of the accountant. The company shall provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to its accountant without any refusal, withholding and false information.

The Special Regulations require a company to engage a qualified independent accounting firm to audit the company's annual report, and review and check other financial reports of the company.

Distribution of profits

The Special Regulations provide that the dividends and other distributions to be paid to holders of H shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendment of articles of association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in applicable laws, regulations and the articles of association.

Dissolution and liquidation

A company shall be dissolved by reasons of the following:

(1) the term of its operations set down in the company's articles of association has expired or other events of dissolution specified in the company's articles of association have occurred;

(2) the shareholders' general meeting has resolved to dissolve the company;

(3) the company is dissolved by reason of its merger or demerger;

(4) the business licence is revoked or the company's operation is ordered to close or is dissolved;

(5) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation of the company experiences serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses for shareholders.

In the event of paragraph (1) above, the company may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out in the previous paragraph shall require approval of shareholders holding more than two thirds of voting rights attending a general meeting.

Where the company is dissolved in the circumstances described in paragraphs (1), (2), (4) or (5) above, liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

Members of the liquidation committee shall be appointed by the directors or the general meeting. If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court, requesting the court to appoint relevant personnel to form the liquidation committee for liquidation. The people's court shall accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee shall exercise its powers during the liquidation period:

(1) to handle the company's assets and to prepare a balance sheet and an inventory of the assets;

(2) to notify creditors or issue public notices;

(3) to deal with and settle any outstanding businesses of the company;

(4) to pay any tax overdue as well as tax amounts arising from the process of liquidation;

(5) to settle the company's financial claims and liabilities;

(6) to handle the surplus assets of the company after its debts have been paid off;

(7) to represent the company in civil lawsuits.

The liquidation committee shall notify the company's creditors within 10 days after its establishment, and issue public notices in the newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days after receiving the notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation committee shall register such creditor rights. The liquidation committee shall not make any settlement to creditors during the period of claim.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan to be submitted to the general meeting or people's court for endorsement. The remaining assets of the company after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debt shall be distributed to shareholders according to their proportion of capital contribution in the case of companies with limited liability or according to shareholding proportion in the case of joint stock limited companies. The company shall exist during the liquidation period, but it cannot be engaged in any operating activities that are not related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy according to law.

Following such bankruptcy declaration by the people's court, the liquidation committee shall hand over the affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' meeting, general meeting or the people's court for verification. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation committee are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation committee shall be prohibited from accepting bribes or other unlawful income and from misappropriating the company's properties. A member of the liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his wilful or material default.

Liquidation of a company declared bankrupt according to the law shall be processed in accordance with laws on corporate bankruptcy.

Overseas listing

The shares of a company shall only be listed overseas after obtaining approval from CSRC and the listing must be arranged in accordance with procedures specified by the State Council. According to the Special Regulations, a company's plan to issue H shares and domestic invested shares which has been approved by CSRC may be implemented by the board of directors of the company separately, within 15 months after approval is obtained from the CSRC.

Loss of share certificates

A shareholder may apply, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, to a people's court in the event that share certificates in registered form are either stolen, lost or destroyed, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issuance of replacement certificates.

The Mandatory Provisions have additional provisions on loss of share certificates and H share certificates of shareholders of overseas listed foreign shares, which are set out in the Articles of Association.

Suspension and termination of listing

The Company Law has deleted provisions governing suspension and termination of listing. The Securities Law has been amended as follows:

Where a listed company is in any of the following circumstances, the stock exchange shall decide to suspend the listing and trading of its stocks:

(i) the total amount of shares or shareholding distribution of the company has been changed and no longer complies with the necessary requirements for listing

(ii) the company fails to make public its financial position in accordance with the requirements or there is false information in the financial report with the possibility of misleading investors;

(iii) the company has committed a major breach of the law;

(iv) the company has incurred losses for latest three consecutive years;

(v) any other circumstances as required by the listing rules of the stock exchange(s).

Where a listed company is in any of the following circumstances, the stock exchange shall decide to terminate the listing of its stocks:

(i) the total amount of shares or shareholding distribution of the company changes and thus, fails to meet the requirements of listing, and where the company fails again to meet the requirements of listing within the period as prescribed by the stock exchange;

(ii) the company fails to make public its financial position according to the relevant provisions or has any false record in its financial statements, and refuses to make any correction;

(iii) the company has incurred losses for the latest three consecutive years and fails to gain profits in the year thereafter;

(iv) the company is dissolved or is announced bankruptcy;

(v) any other circumstance as prescribed in the listing rules of the stock exchange.

Merger and demerger

A merger agreement must be signed by merging companies and the relevant companies shall draw up their respective balance sheets and inventory of property. The companies should within 10 days of the resolution of the merger inform their respective creditors and publish a notice in newspapers within 30 days. The creditors may, within 30 days for those who have received the notice or within 45 days for those who have not, request a company to satisfy any unpaid debts or provide equivalent guarantees. When companies merge, the credits and debts of the merging parties shall be assumed by the surviving company or the new company.

When a company demerges, a balance sheet and inventory of assets must be drawn up. The company should notify all its creditors within 10 days of such resolution being made and announce the same in newspapers within 30 days. Unless agreed in writing with a creditor in respect of settlement of debts prior to the demerger of the company, the liabilities before the demerger of the company shall be jointly and severally borne by the demerged companies.

Changes in registerable particulars of the companies caused by merger or demerger must be registered with the company registration authorities in accordance with the law. Cancellation of a company should be registered in accordance with the law when a company is dissolved. Establishment of a company shall be registered when a new company is established.

Part IV. Securities Law and Regulations and Regulatory Regimes

The PRC has promulgated a number of regulations in relation to the issue and trading of shares and disclosure of information. In October 1992, the Securities Commission and the CSRC were established under the State Council. In early 1998, the State Council dissolved the then Securities Commission whose functions have now been assumed by the CSRC. The Securities Commission is responsible for coordinating the drafting of the securities law, formulating policies on securities affairs, planning the development of securities markets and guiding, coordinating and regulating all PRC institutions involved in securities affairs and supervising the CSRC. The CSRC is the regulatory arm of the Securities Commission and is responsible for drafting regulations governing the securities market, supervising securities companies, regulating the domestic and overseas public issue of securities by PRC companies, supervising securities trading, compiling securities related statistics and conducted research and analysis.

On April 22, 1993, the State Council promulgated the Provisional Regulations on the Administration of Share Issuance and Trading. The Provisional Regulations on the Administration of Share Issuance and Trading deal with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, settlement, clearing and transfer of listed equity securities, disclosure of information, investigation, penalties and dispute settlement with respect to a listed company. The Provisional Regulations on the Administration of Share Issuance and Trading specifically provide that the offer of shares by a PRC company directly and indirectly outside the PRC require the approval of the Securities Commission (or the CSRC at present). Provisions of the Provisional Regulations on the Administration of Share Issuance and Trading in relation to acquisitions of listed companies and disclosure of information are expressed to apply to companies listed on a stock exchange in general without being confined to companies listed on any particular stock exchange. Such provisions may, therefore, be applicable to joint stock limited companies with shares listed on a stock exchange outside the PRC (e.g. the Hong Kong Stock Exchange).

On August 4, 1994, the State Council promulgated the Special Regulations. These provisions deal mainly with the issue, subscription, trading, declaration of dividends and other distributions of foreign capital stock listed aboard and the disclosure of information of articles of association of joint stock limited companies having foreign capital stock listed aboard.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies. These regulations deal mainly with the issue, subscription, trading, declaration of dividends and other distributions of domestic listed foreign shares and the disclosure of information of joint stock limited companies having domestic listed foreign shares.

On December 29, 1998, the Standing Committee of the NPC promulgated the Securities Law which came into effect on July 1, 1999. This is the first national securities law in the PRC and is the fundamental law comprehensively regulating activities in the PRC securities market. The Securities Law was revised on August 28, 2004, October 27, 2005, June 29, 2013 and August 31, 2014, respectively. The Securities Law is applicable to the issuance of and trading in shares, company bonds and other securities designated by the State Council according to law in the PRC. It is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. Where the Securities Law does not apply, the provisions of the Company Law and other applicable laws and administrative regulations will apply.

On March 29, 1999, SETC and the CSRC promulgated the Opinion on the Further Promotion of the Regular Operation and In-Depth Reform of Companies Listed Overseas (the "Opinion"), which is aimed at regulating the internal operation and management of PRC companies listed overseas. The Opinion regulates, amongst other things, the appointments and functions of external directors and independent directors in the board of directors, and the appointment and functions of external supervisors in the supervisory committee.

Part V. Arbitration and Enforcement of Arbitration Awards

According to the Arbitration Law of the People's Republic of China (the "Arbitration Law") promulgated by the Standing Committee of the NPC on August 31, 1994, effective on September 1, 1995 and revised on August 27, 2009, any disputes over contracts or other property interests among citizens, legal persons and other organizations with equal status may be settled by arbitration. Both parties shall reach an arbitration agreement voluntarily in order to settle the dispute through arbitration. The arbitration commission shall not accept any application for arbitration from a single party without arbitration agreement. The people's court shall not accept filing of suit from a single party with arbitration agreement, except for invalid arbitration agreement.

Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law.

The Mandatory Provisions requires an arbitration clause to be included in the articles of association of a company listed in Hong Kong. In case of any dispute or claim arises from any rights or obligations provided in the articles of association, the PRC Company Law or other relevant laws and administrative regulations between holders of overseas listed foreign shares and the company, holders of overseas listed foreign shares and the directors, supervisors, president or other members of the senior management of the company, and holders of overseas listed foreign shares and holders of domestic shares, such parties shall submit that dispute or claim for arbitration. Such parties may either elect to submit such dispute or claim to China International Economic and Trade Arbitration Commission or Hong Kong International Arbitration Centre for arbitration under their respective arbitration regulations. If the party elects to arbitrate the dispute or claim at the Hong Kong International Arbitration Centre, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of the Hong Kong International Arbitration Centre. China International Economic and Trade Arbitration Commission is an economic and trade arbitration organ in the PRC. In accordance with China International Economic and Trade Arbitration Commission Arbitration Rules as amended on November 4, 2014 (which amendment became effective on January 1, 2015), the jurisdiction of China International Economic and Trade Arbitration Commission covers disputes involving Hong Kong. China International Economic and Trade Arbitration Commission is located in Beijing with branch offices in Shenzhen, Shanghai, Tianjin, Chongqing and Hong Kong. Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee or the giving of an award beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission).

A party seeking to enforce an arbitral award of a foreign affairs arbitration organ of the PRC against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration

body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (1) the PRC will only recognize and enforce the arbitral awards made within the land of another allied country on the principle of reciprocity; and (2) the PRC will only apply the New York Convention to disputes considered under PRC laws to be arising from contractual and non-contractual mercantile legal relations. According to Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong SAR, arrangements for reciprocal enforcement of arbitral awards between Hong Kong and China were signed on June 18, 1999. This new arrangement has been approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council and became effective on February 1, 2000. The new arrangement is made in accordance with the spirit of the New York Convention, allowing awards made by PRC arbitral authorities to be enforceable in Hong Kong and awards by Hong Kong arbitral authorities to be enforceable in the PRC.

Part VI. Overseas Investment Regulations

Pursuant to the Measures for the Administration of Overseas Investment promulgated by the MOFCOM on September 6, 2014 which became effective on October 6, 2014, enterprises shall obtain approval from the MOFCOM or its provincial department for conducting overseas investment according to such regulations. Upon such approval, any changes to the original application of such overseas investment shall be reported to the original approving authority for the application of approval of changes in compliance with relevant laws.

According to the Administrative Measures for the Approval and Recordation Filing of Overseas Investment Projects, which was promulgated on April 8, 2014, became effective on May 8, 2014 and revised on December 27, 2014, overseas investment projects involving sensitive countries and regions or sensitive industries shall be subject to the verification and approval by the NDRC. Where an overseas investment project has Chinese investment of USD 2 billion or higher shall put forward review opinions thereon, and submit the same to the State Council for verification and approval. Overseas investment projects other than those aforesaid shall be subject to recordation filing administration. For the overseas investment projects approved or filed, any change with respect to an investor, or the equity structure, or the size and main contents of such an approved overseas project or the Chinese investment is in excess of the original amount as approved of filed for 20% or higher must be approved or filed by the NDRC in accordance with the aforesaid provisions.

HONG KONG LAWS AND REGULATIONS

Part I. Summary of Material Differences between Hong Kong Companies Ordinance and PRC Company Law

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Hong Kong Companies Ordinance, Hong Kong Companies (Winding up and Miscellaneous Provisions) Ordinance and supplemented by common law and rules of equity that apply to Hong Kong. The Company, which is a joint stock limited company established in the PRC, is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of the material differences between the Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate existence

Under Hong Kong company law, a company having share capital, is incorporated and will acquire an independent corporate existing after the company registrar of Hong Kong issuing a certificate of incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Hong Kong Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain preemptive provisions. A public company's articles of association do not contain such preemptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription. A joint stock limited company has no minimum capital requirement except for the special provisions of any other laws, administrative regulations and decisions of the State Council.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital other than registered capital. For joint stock limited companies incorporated by promotion, the registered capital is the total share capital subscribed by all promoters that registered at the registration authority. Where a joint stock limited company is incorporated by public subscription, the registered capital is the total paid-up capital that registered at the registration authority. Any increase in registered capital must be approved by the shareholders in a general meeting and by the relevant PRC governmental and regulatory authorities when applicable.

Under the Securities Law, a company which is authorized by the relevant securities administration authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets that may be valued in currency and lawfully transferable. For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on shareholding and transfer of shares

Under PRC law, the domestic shares ("domestic shares") in the share capital of a joint stock limited company which are denominated and subscribed for in Renminbi may only be subscribed or traded by the domestic investors and qualified foreign institutional investors of the PRC. The overseas listed foreign shares ("foreign shares") issued by a joint stock limited company which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, as well as other qualified domestic institutional investors. Qualified domestic investors can also subscribe foreign shares which are classified as eligible stock through Shanghai-Hong Kong Stock Connect.

Under the PRC Company Law, shares in a joint stock limited company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of the shares on the Stock Exchange. Shares in a joint stock limited company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law except for the six-month lock-up on the company's issue of shares and the 12 month lock-up on the Controlling Shareholders' disposal of shares as described in the section entitled "Underwriting" in this Prospectus.

Financial assistance for acquisition of shares

Although the PRC Company Law does not contain any provision prohibiting or restricting a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under Hong Kong company law.

Variation of class rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed regarding variations of class rights. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix VI.

Under the Hong Kong Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of a Hong Kong company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions. The Company (as required by the Listing Rules and the Mandatory Provisions) has adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed foreign invested shares and domestic shares are defined in the Articles of Association as different classes of shareholders, provided however that the special procedures for approval by separate class shareholders shall not apply to the following circumstances: (i) the Company issues domestic shares and listed foreign invested shares, separately or simultaneously, once every 12-month period, pursuant to a Shareholders' special resolution, not more than 20% of each of the issued domestic shares and issued overseas listed foreign invested shares existing as of the date of the Shareholders' special resolution; (ii) the plan for the issue of domestic shares and listed foreign invested shares upon its establishment is implemented within 15 months following the date of approval by the CSRC; and (iii) upon approval by the CSRC, the shareholders of domestic shares of the Company transfer their shares to overseas investors and such shares are listed and traded in foreign markets.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration made by directors of the interests in material contracts; restrictions on directors' authority in making major dispositions; restrictions on companies providing certain benefits, prohibitions against compensation for loss of office without shareholders' approval. The PRC Company Law provides restrictions on interested directors voting on the resolution at a meeting of the board of directors when such resolution relates to an enterprise which the director is interested or connected. The Mandatory Provisions, however, contain requirements and restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix VI.

Board of Supervisors

Under the PRC Company Law, the directors and senior management of a joint stock limited company is subject to the supervision and inspection of a Board of Supervisors but there is no mandatory requirement for the establishment of a Board of Supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

Derivative action by minority shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company, if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives shareholders of a joint stock limited company the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by the shareholders in a general meeting, or by the board of directors, that violates any law or infringes the lawful rights and interests of the shareholders. The PRC Company Law also provides that the shareholder can initiate proceedings if the director or senior management of a company violates the law, administrative regulation or articles of association of such company and thus infringes the shareholder's interest. The Mandatory Provisions further provide remedies to the company against directors, supervisors and senior management in breach of their duties to the company. In addition, every director and supervisor of a joint stock limited company applying for a listing of its foreign shares on the Stock Exchange is required to give an undertaking in favor of the company to comply with the company's articles of association. This allows minority shareholders to act against the directors and supervisors in default.

Protection of minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of the Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC Company Law provides that where any company encounters any serious difficulty in its operations or management such that the interests of the shareholders will face serious loss if the company continues to exist and such difficulty cannot be resolved by any other means, the shareholders holding 10% or more of the voting rights of all the issues shares of the company may plead the people's court to dissolve the company. The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise

its voting rights to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual interests of other shareholders which is prejudicial to the interests of the shareholders generally or of some part of the shareholders of a company.

Notice of shareholders' meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting must be given not less than 20 days before the meeting, or, not less than 15 days before a shareholders' interim general meeting. In the case of a company having bearer shares, a public announcement of a shareholders' general meeting must be made at least 30 days prior to it being held. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all shareholders and shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum notice periods of a general meeting convened for passing an ordinary resolution and a special resolution are 14 days and 21 days, respectively. The notice period for an annual general meeting is 21 days.

Quorum for shareholders' meetings

Under Hong Kong law, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For one member companies, one member will be a quorum.

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that a company's general meeting can be convened when replies to the notice of that meeting have been received from shareholders whose shares represent 50% of the voting rights in the company at least 20 days before the proposed date of the meeting. If that 50% level is not achieved, the company shall within five days notify its shareholders by public announcement and the shareholders' general meeting may be held thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires more than one half of the votes cast by shareholders present in person or by proxy at a shareholders' general meeting except in cases of proposed amendment to the articles of association, increase or reduction of share capital, and merger, demerger or dissolution of a joint stock limited company or changes to the company status, which require two-thirds or more of votes cast by shareholders with the right to vote present at a shareholders' general meeting.

Financial disclosure

A company is required under the PRC Company Law to make available at its office for inspection by shareholders its financial reports and other relevant annexes 20 days before the annual general meeting of shareholders. In addition, a company established by way of public offering under the PRC Company Law must publish its financial position. The annual balance sheet has to be verified by registered accountants. The Hong Kong Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be laid before the company in its annual general meeting, not less than 21 days before such meeting. A company is required under the PRC law to prepare its financial statements in accordance with the PRC accounting standards. The Mandatory Provisions require that the company must, in addition to preparing accounts according to the PRC standards, have its accounts prepared and audited in accordance with International Accounting Standards or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on directors and shareholders

The PRC Company Law gives the shareholders of a company the right to inspect the articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders of a company have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Receiving agent

Under both the PRC Company Law and Hong Kong law, dividends once declared become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while that under the PRC law is two years. The Mandatory Provisions require that the company should appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owed by a joint stock limited company in respect of such foreign shares.

Corporate reorganization

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company to another company in the course of being wound up voluntarily pursuant to section 237 of the Hong Kong Companies (Winding up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to section 673, Division 2 of Part 13 of the Hong Kong Companies Ordinance which requires the sanction of the court. Under PRC Company Law, the merger, demerger, dissolution, liquidation or change to the forms of a company has to be approved by shareholders at general meeting.

Arbitration of disputes

In Hong Kong, disputes between shareholders and a company incorporated in Hong Kong or its directors may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC at the claimant's choice.

Mandatory deductions

Under the PRC Company Law, a company shall draw 10% of the profits as its statutory reserve fund before it declare any dividends after taxation. The company may not be required to deposit the statutory reserve fund if the aggregate amount of the statutory reserve fund has accounted for 50% of the company's registered capital. After the company has drawn statutory reserve fund from the after-tax profits, it may, upon a resolution made by the shareholders, draw a discretionary reserve fund from the after-tax profits. There are no such requirements under Hong Kong law.

Remedies of a company

Under the PRC Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. In addition, remedies of the company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or officer) have been in compliance with the Listing Rules.

Dividends

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. A company shall not exercise its powers to forfeit any unclaimed dividend in respect of its listed foreign shares until after the expiry of the applicable limitation period.

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors, senior management owe a fiduciary duty towards a company and are not permitted to engage in any activities which compete with or damage the interests of the company.

Closure of register of shareholders

The Hong Kong Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the articles of association of a company provide, as required by the Mandatory Provisions, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Part II. Listing Rules

The Listing Rules provide additional requirements which apply to an issuer which is incorporated in the PRC as a joint stock limited company and seeks a primary listing or whose primary listing is on the Stock Exchange. Set out below is a summary of such principal additional requirements which apply to the Company.

Compliance adviser

A company seeking listing on the Stock Exchange is required to appoint a compliance adviser acceptable to the Stock Exchange for the period from its listing date up to the date of the publication of its first full year's financial results, to provide the company with professional advice on continuous compliance with the Listing Rules and all other applicable laws, regulations, rules, codes and guidelines, and to act at all times, in addition to the company's two authorized representatives, as the principal channel of communication with the Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Stock Exchange has been appointed.

If the Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company.

It must act as the company's principal channel of communication with the Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

Accountants' report

An accountants' report for a PRC issuer will not normally be regarded as acceptable by the Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong or under International Standards on Auditing or China Auditing Standards. Such report will normally be required to conform to Hong Kong or international accounting standards or China Accounting Standards for Business Enterprises in the case of a PRC issuer that has adopted China Accounting Standards for Business Enterprises for the preparation of its annual financial statements.

Process agent

The Company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Stock Exchange and must notify the Stock Exchange of his appointment, the termination of his appointment and his contact particulars.

Public shareholdings

If at any time there are existing issued securities of a PRC issuer other than foreign shares ("foreign shares") which are listed on the Stock Exchange, the Listing Rules require that the aggregate amount of such foreign shares held by the public must constitute not less than 25% of the issued share capital and that such foreign shares for which listing is sought must not be less than 15% of the total issued share capital if the company has an expected market capitalization at the time of listing of not less than HK$50,000,000. The Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the company has an expected market capitalization at the time of listing of over HK$10,000,000,000.

Independent non-executive directors and supervisors

The independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. The supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

Subject to governmental approvals and the provisions of the Articles of Association, the company may repurchase its own H shares on the Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of special resolution of the holders of domestic shares and the holders of H shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, the company is required to provide information

on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Stock Exchange. The Directors must also state the consequences of any purchases which will arise under either or both of the Code on Takeovers and Mergers and any similar PRC law of which the directors are aware, if any.

Any general mandate given to the directors to repurchase the foreign shares must not exceed 10% of the total amount of existing issued foreign shares of the company.

Mandatory provisions

With a view to increasing the level of protection afforded to investors, the Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the board of supervisors of the company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in Appendix VI.

Redeemable shares

The company must not issue any redeemable shares unless the Stock Exchange is satisfied that the relative rights of the holders of the foreign shares are adequately protected.

Pre-emptive rights

Except in the circumstances mentioned below, the directors of a company are required to obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of the holders of domestic shares and foreign shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the company's Articles of Association, prior to (1) authorizing, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities; or (2) any major subsidiary of the company making any such authorization, allotment, issue or grant so as materially to dilute the percentage equity interest of the company and its shareholders in such subsidiary.

No such approval will be required, but only to the extent that, the existing shareholders of the company have by special resolution in general meeting given a mandate to the directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of the existing domestic shares and foreign shares as of the date of the passing of the relevant special resolution or of such shares that are part of the company's plan at the time of its establishment to issue

domestic shares and foreign shares and which plan is implemented within 15 months from the date of approval by the CSRC; or where upon approval by securities supervision or administration authorities of State Counsel, the shareholders of domestic invested shares of the company transfer its shares to overseas investors and such shares are listed and traded in foreign markets.

Supervisors

The company is required to adopt rules governing dealings by its Supervisors in securities of the company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Stock Exchange.

The company is required to obtain the approval of its shareholders at a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of the company or its subsidiary: (1) the term of the contract may exceed three years; or (2) the contract expressly requires the company to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year.

The remuneration committee of the company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the company and its shareholders as a whole and advise shareholders on how to vote.

Amendment to the Articles of Association

The company is required not to permit or cause any amendment to be made to its Articles of Association which would cause the same to cease to comply with the Mandatory Provisions of the Listing Rules and the Mandatory Provisions or the PRC Company Law.

Documents for inspection

The company is required to make available at a place in Hong Kong for inspection by the public and its Shareholders free of charge, and for copying by shareholders at reasonable charges the following:

- a complete duplicate register of shareholders;
- a report showing the state of the issued share capital of the Company;
- the company's latest audited financial statements and the reports of the Directors, auditors and Supervisors (if any) thereon;

- special resolutions of the company;

- reports showing the number and nominal value of securities repurchased by the company since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares);

- a copy of the latest annual return led with the Shenzhen Administration for Industry and Commerce; and

- for shareholders only, copies of minutes of meetings of shareholders.

Receiving agents

The company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

Statements in H share certificates

The company is required to ensure that all of its listing documents and H share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such shares bearing statements to the following effect that the acquirer of shares:

- agrees with the company and each Shareholder of the company, and the company agrees with each shareholder of the company, to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association and other relevant laws and administrative regulations;

- agrees with the company, each shareholder, Director, Supervisor, manager and officer of the company, and the company acting for itself and for each Director, Supervisor, manager and officer of the company agrees with each shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with the company and each shareholder of the company that the H Shares are freely transferable by the holder thereof; and

- authorizes the company to enter into a contract on his behalf with each Director, Supervisors, Managers and officer of the company whereby each such Director and officer undertakes to observe and comply with his obligation to shareholders as stipulated in the Articles of Association.

Compliance with the PRC Company Law, the Special Regulations and the Articles of Association

The company is required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

Contract between the Company and its Directors, officers and Supervisors

The company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

- an undertaking by the Director or officer to the company to observe and comply with the PRC Company law, the Special Regulations, the Articles of Association, the Codes on Takeovers and Mergers and Share Repurchases and an agreement that the company shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;

- an undertaking by the Director or officer to the company acting as agent for each shareholder to observe and comply with his obligations to shareholders as stipulated in the Articles of Association;

- an arbitration clause which provides that whenever any differences or claims arise from that contract, the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning the affairs of the company between the company and its Directors or officers and between a holder of H Shares and a Director or officer of the company, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;

- if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the Securities Arbitration Rules of HKIAC;

- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;

- the award of the arbitral body is final and shall be binding on the parties thereto;

- the company is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms; and

- disputes over who is a shareholder and over the share registrar do not have to be resolved through arbitration.

Subsequent listing

The company must not apply for the listing of any of its foreign shares on a PRC stock exchange unless the Stock Exchange is satisfied that the relative rights of the holders of foreign shares are adequately protected.

English translation

All notices or other documents required under the Listing Rules to be sent by the company to the Stock Exchange or to holders of H Shares are required to be in the English language, or accompanied by a certified English translation.

General

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including the company, subject to special conditions as the Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of the company's listing.

Part III. Other Legal and Regulatory Provisions

Upon the company's listing, the provisions of the Securities and Futures Ordinance, the Codes on Takeovers and Mergers and Share Repurchases and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange will apply to the company.

Part IV. Securities Arbitration Rules

The Articles of Association provide that certain claims arising from the Articles of Association, PRC Company Law and other applicable laws shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The Securities Arbitration Rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Stock Exchange so that PRC parties and witnesses may attend.

Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party), or any of its witnesses, or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and China Taiwan.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

This Appendix sets out a summary of the principal provisions of the Articles of Association adopted by the Company on February 6, 2015, which will become effective upon the listing date of the H Shares on the Hong Kong Stock Exchange. This Appendix mainly aims to provide an overview of the Articles of Association for prospective investors, and therefore may not contain all the information important to investors.

DIRECTORS AND THE BOARD

Power to Allot and Issue Shares

There is no provision in the Articles of Association empowering the Board to allot or issue Shares. To increase the share capital of the Company, the Board shall prepare proposals for share allotment or issue, which are subject to approval by the Shareholders at the Shareholders' general meeting in the form of a special resolution. Any such allotment or issue shall be handled in accordance with the procedures provided for in the relevant laws and administrative regulations.

Power to Dispose of the Assets of the Company or its Subsidiaries

The Board shall not, without prior approval by the Shareholders' general meeting, dispose or agree to dispose of, any fixed assets where the anticipated value of the assets to be disposed, together with the value of any fixed assets that has been disposed in the period of four months immediately preceding the proposed disposition, exceeds 33% of the value of the fixed assets as shown in the latest balance sheet reviewed at the Shareholders' general meeting. The above disposition includes an act involving the transfer of an interest in assets but does not include that involving the provision of fixed assets as security.

The validity of a disposition of fixed assets by the Company shall not be affected by the breach of the restrictions set out in the above Articles of Association.

Compensation or Payments for Loss of Office

The contracts concerning the emoluments between the Company and its Directors or Supervisors should provide that, in the event of an acquisition of the Company, the Directors and Supervisors shall, subject to the prior approval of the shareholders at Shareholders' general meeting, have the right to receive compensation or other payment in respect of their loss of office or retirement. An "acquisition of the Company" means either:

(i) an offer made by any person to all Shareholders;

(ii) an offer made by any person such that the offeror will become a Controlling Shareholder of our Company (within the meaning set out in the Articles of Association).

If the relevant Director or Supervisor does not comply with the above requirements, any sum so received by him/her shall belong to those persons who have sold their Shares for acceptance of the offer. The expenses incurred for distributing such sum shall be borne by the relevant Director or Supervisor on pro-rata basis and shall not be paid out of that sum.

Loans to Directors, Supervisors, President or Other Officers

The Company shall not directly or indirectly make a loan to, or provide any guarantee in connection with a loan of, a Director, Supervisor, president or other members of the senior management of the Company or its parent company or any of their respective associates.

The following transactions are exempted from the above clause:

(i) the provision of a loan or a guarantee of loan by the Company to a subsidiary of the Company;

(ii) the provision of a loan, a guarantee of loan or any other payment by the Company to any of its Directors, Supervisors, president and other members of the senior management to pay for the expenditure incurred by him/her for the purposes of the Company or for the performing of his/her duties, in accordance with the employment contract approved at the Shareholders' general meeting;

(iii) the provision of a loan or a guarantee of loan of the Company to any of its Directors, Supervisors, president and other members of the senior management or their respective associates, provided that the ordinary course of business of the Company includes the provision of loans or guarantees of loan, and the loans and guarantees of loans should be provided on normal commercial terms.

A loan made by the Company in breach of the above provisions shall be repayable immediately by the recipient of the loan regardless of the conditions of the loan. A guarantee provided by the Company in breach of the above provisions shall be unenforceable against the Company, unless:

(i) at the time the loan was advanced to an associate of any of the Directors, Supervisors, president and other members of the senior management of the Company or the parent company, the lender did not know of the relevant circumstances;

(ii) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

For the purpose of the above provisions, a "guarantee" includes an assumption of an obligation or a provision of property by the guarantor to secure the performance of obligations by the obligor.

Financial Assistance for the Acquisition of Shares in the Company or any of its Subsidiaries

Pursuant to the Articles of Association:

(i) The Company or its subsidiaries shall not provide any financial assistance at any time or in any manner to personnel that acquires or plans to acquire our Shares. Such personnel include any who undertake obligations, directly or indirectly, from acquiring the Shares, and

(ii) The Company or any of its subsidiaries shall not provide with financial aid at any time or in any manner to mitigate or exempt the obligations of the above personnel.

The following activities are not prohibited:

(i) the provision of financial assistance by the Company where the financial assistance is given in good faith and in the interest of the Company, and the principal purpose of such act is not for the acquisition of Shares, or the provision of the financial assistance is an incidental part of the Company's project;

(ii) the lawful distribution of the Company's assets by way of dividend;

(iii) the allotment of bonus shares as dividends;

(iv) a reduction of registered capital, a repurchase of Shares or a reorganization of the shareholding structure effected in accordance with the Articles of Association;

(v) the provision of loans by the Company in the ordinary course of its business (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of the distributable profits);

(vi) the provision of funds by the Company for contributions to staff and workers' share schemes (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of the distributable profits);

For the purpose of the above provisions:

(i) "Financial aid" includes, but is not limited to:

(aa) Gifts;

(bb) Guarantees (including acts of the guarantor assuming liabilities or providing property to ensure that the obligor performs the obligations), compensation (excluding compensation arising from mistakes of the Company), release or waiver of rights;

(cc) Provision of loans or signing of contracts whereby our Company performs some obligations before others, change of the parties to the loans/ contracts as well as the assignment of the rights in the loans/contracts; or

(dd) Financial aid provided by our Company in any other manner when it is insolvent, has no net assets, or will suffer significant decreases in net assets.

(ii) "Assuming obligations" includes obligator undertaking obligations by signing agreements or making arrangements (no matter whether the agreements or arrangements are enforceable on demand or bearing the obligations by itself or jointly with any other person) or changing its financial status in any other manner.

Disclosure of Interests in and Voting on Contracts with the Company

Where a Director, Supervisor, president or other members of the senior management of the Company is in anyway, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (excluding the contracts of appointment between the Company and our Directors, Supervisors, president and other members of the senior management), he/she shall declare the nature and extent of his/her interests to the Board at the earliest opportunity, whether or not the related matter is otherwise subject to the approval of the Board under normal circumstances.

Unless the interested Director, Supervisor, president and other members of the senior management has disclosed his/her interests in accordance with the aforesaid provision while he/she is not counted in the quorum by the Board and refrains from voting on the meeting, in which the related contract, transaction or arrangement is subject to approval, the contract, transaction or arrangement in which that Director, Supervisor, president or other members of the senior management is materially interested is voidable at the discretion of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the interested Director, Supervisor, president or other members of the senior management.

A Director, Supervisor, president or other members of the senior management of the Company is deemed to be interested in a contract, transaction or arrangement in which an associate of his/hers is interested.

Remuneration

The Company shall, with the prior approval of the Shareholders' general meeting, enter into a contract in writing with each of the Directors or Supervisors wherein his or her emoluments are stipulated. The aforesaid emoluments include:

(i) emoluments in respect of his/her service as a Director, Supervisor or the senior management of the Company;

(ii) emoluments in respect of his/her service as a Director, Supervisor or the senior management of any subsidiary of the Company;

(iii) emoluments in respect of his/her service for providing other services to the management of the Company and any subsidiary of the Company;

(iv) compensation for his/her loss of office, or consideration in connection with his/her retirement as a Director or Supervisor.

Except under the aforesaid contract, no proceedings may be brought by a Director or Supervisor against the Company for any benefits due to him/her in respect of the above matters.

Retirement, Appointment, and Removal

A person may not serve as a Director, Supervisor, president or any other members of the senior management if he/she is either:

(i) a person without legal or with restricted legal capacity;

(ii) a person who has committed an offence of corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order and has been punished because of committing such offence; or who has been deprived of his political rights, in each case where no more than five years has elapsed since the date of the completion of implementation of such punishment or deprivation;

(iii) a person who is a former Director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation and he/she is personally liable for the insolvency of such company or enterprise, where no more than three years has elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

(iv) a person who is a former legal representative of a company or enterprise which had its business licence revoked and was ordered to be closed down due to a violation of the law and who incurred personal liability, where no more than three years has elapsed since the date of the revocation of the business licence;

(v) a person who has a relatively large amount of debts due and outstanding;

(vi) a person who is under criminal investigation or prosecution by judicial organization for violation of the criminal law which investigation or prosecution is not yet concluded;

(vii) a person who is not eligible for enterprise leadership according to laws;

(viii) a non-natural person;

(ix) a person convicted of the contravention of provisions of relevant securities regulations by the competent authority, and such conviction involves a finding that he/she has acted fraudulently or dishonestly, where less than five years has elapsed since the date of the conviction;

The validity of an act of a Director, president or other members of the senior management on behalf of the Company is not, vis-a-vis a bona fide third party, affected by any irregularity in his/her office, election or any defect in his qualification.

The Board of Directors consists of 7-9 directors and these are elected at the general Shareholders meeting. The Directors need not hold any of our Shares.

The chairman and vice chairman of the Board shall be elected and dismissed by a vote of more than one half of the Directors. Subject to compliance with related laws and administrative regulations, the general Shareholders' meeting may remove any Director whose term has not expired by an ordinary resolution without affecting any claim for damages that may be made pursuant to any contract.

The Directors serve three-year terms. Upon expiration of the term, the Director may be re-elected (an independent non-executive Director may not be elected for more than 6 years consecutively).

Written notice concerning proposed nomination of a director candidate and indication of the candidate's intention to accept the nomination shall be sent to our Company fourteen days before the general Shareholders' meeting is convened (the period shall commence on the day after the dispatch of the notice of the general meeting appointed for such election by our Company and shall be no less than 14 days).

Power to Obtain Loans

The Articles of Association does not include any special provision regarding the manner in which the Directors may exercise the right to obtain loans or the manner in which such a right is created except (a) the provision regarding the power of the Directors to develop schemes for our Company to issue bonds, and (b) the provision that the bond issue must be approved by the Shareholders through a special resolution at the general Shareholders' meeting.

Responsibilities

The Directors, Supervisors, president and other members of the senior management shall bear the obligations of good faith and diligence towards the Company. In the event of violation of obligations owed to the Company by the Directors, Supervisors, president and other members of the senior management, we shall have the right to take the following measures in addition to various rights and remedial measures stipulated in legal and administrative regulations:

(i) Require related Directors, Supervisors, president and other members of the senior management to compensate the Company for losses sustained as a result of their neglect of duty;

(ii) Cancel any contract or transaction entered into between the Company and related Directors, Supervisors, president or other members of the senior management as well as any contract or transaction entered into between the Company and any third person when the third person knew or should have known that the Directors, Supervisors, president or other members of the senior management acting on behalf of the Company violated their obligations owed to the Company;

(iii) Require the relevant Directors, Supervisors, president or other members of the senior management to turn over the proceeds obtained from the violation of their obligations;

(iv) Recover funds collected by the relevant Directors, Supervisors, president or other members of the senior management that should have been collected for the Company, including but not limited to commissions;

(v) Require the relevant Directors, Supervisors, president or other members of the senior management to return the interest earned or that may be earned from funds that should have been paid to the Company.

Shareholders individually or jointly holding 1% or more of the Company's shares for 180 consecutive days or more shall have the right to request the supervisory committee in writing to bring a legal action in the People's Court against any director, president or other members of the senior management officer for loss of the Company resulting from their violation of any laws, regulations or provisions of the Articles of Association in the course of performing their duties.

The shareholders described in the preceding paragraph may bring legal action in the People's Court directly in their own names in the interest of the Company in the event that the supervisory committee or the board of directors refuses to initiate legal proceedings after receiving the aforesaid written request of shareholders, or fails to initiate such legal proceedings within thirty days on which such request is received, or in case of emergency where failure to initiate such legal proceedings immediately will result in irreparable damage to the Company's interest.

Shareholders as referred to in the preceding paragraph may also initiate legal proceedings in the People's Court under the provisions set out in the preceding two paragraphs if any third parties infringe on the lawful interests of the Company which caused damage to the Company.

Shareholders may also bring a legal action in the People's Court against any director, president or other members of the senior management officers for loss of the shareholders resulting from their violation of any laws, regulations or provisions of the Articles of Association.

Each of the Directors, Supervisors, president and other members of the senior management shall discharge his/her duties in accordance with the principle of fiduciary and shall not put himself/herself in a position where his/her interest and duty may conflict. This principle includes, without limitation, discharging the following obligations:

(i) to act honestly in the best interests of the Company;

(ii) to exercise powers within his/her terms of reference and not to act beyond those powers;

(iii) Exercising conferred discretionary powers personally without being manipulated by others; not transferring discretionary powers to other persons unless and to the extent permitted by laws or with the informed consent of shareholders given in a general meeting;

(iv) to treat Shareholders of the same class equally and to treat Shareholders of different classes fairly;

(v) not to enter into any contract, transaction or arrangement with the Company except in accordance with the Articles of Association or with the informed consent of the Shareholders' general meeting;

(vi) not to use, in any manner, the property of the Company for his/her own benefit without the informed consent of the Shareholders' general meeting;

(vii) not to exploit his/her position to accept bribes or other illegal income or expropriate the property of the Company by any means, including (without limitation) opportunities advantageous to the Company;

(viii) not to accept commissions in connection with the transactions of the Company without the informed consent of the Shareholders' general meeting;

(ix) to abide by the Articles of Association, execute his/her official duties faithfully and protect the interests of the Company, and not to exploit his/her position and power in the Company to advance his/her own interests;

(x) not to use their positions to obtain business opportunities which should be available to the Company for themselves or others, or to run their own or others' business which is similar to the business of the Company without approval of the shareholders' general meeting;

(xi) not to misappropriate the funds of the Company, open accounts in his/her own name or other names for the deposit of the assets or funds of the Company;

(xii) not to lend the funds of the Company to others or provide guarantee to others by charging the assets of the Company in violation of the Articles of Association and without approval of the Shareholders' general meetings or the board;

(xiii) not to use their connections to harm the interests of the Company;

(xiv) Disclosure of any confidential information relating to the Company obtained during employment without the consent of the general shareholders' meeting with its full knowledge; unless in the interest of the Company, using such information is also not allowed; however, under the following circumstances the information may be disclosed to a court or other competent government agencies as required by

(1) the provisions of the law;

(2) the public interest;

(3) the interest of the Directors, Supervisors or members of the senior management.

Each Director, Supervisor, president or other members of the senior management of the Company shall not cause the following persons or institutions ("**associates**") to do what he/she is prohibited from doing:

(i) the spouse or minor child of that Director, Supervisor, president or other members of the senior management;

(ii) a person acting in the capacity of trustee of that Director, Supervisor, president or other members of the senior management or any person referred to in (i) above;

(iii) a person acting in the capacity of partner of that Director, Supervisor, president or other members of the senior management or any person referred to in (i) or (ii) above;

(iv) a company in which that Director, Supervisor, president or other members of the senior management, alone or jointly with one or more of the persons referred to in items (i), (ii) or (iii) above or other Directors, Supervisors, president and other members of the senior management have a de facto controlling interest;

(v) the Directors, Supervisors, president and other members of the senior management of the controlled company referred to in item (iv) above.

The fiduciary duties of the Directors, Supervisors, president and other members of the senior management of the Company do not necessarily cease with the termination of their term. The duty of confidentiality in relation to trade secrets of the Company survives the termination or expiration of their term. Other duties may continue for such period depending on the time lapse between the termination and the act concerned and the circumstances under which the relationships between them and the Company are terminated.

Subject to the Articles of Association, a Director, Supervisor, president or other members of the senior management of the Company may be released of liability for specific breaches of his/her duty with the informed consent of the Shareholders' general meeting.

In addition to obligations imposed by laws or required by listing rules of the stock exchanges on which our Shares are listed, each of the Directors, Supervisors, president and other members of the senior management of the Company owes the following responsibilities to each Shareholder, in the exercise of his/her duties and powers entrusted by the Company:

(i) not to cause the Company to exceed the scope of the business stipulated in its business licence;

(ii) to act honestly in the best interests of the Company;

(iii) not to expropriate in any way, the property of the Company, including (without limitation) usurpation of opportunities advantageous to the Company;

(iv) not to expropriate the individual rights of Shareholders, including (without limitation) rights to distributions and voting rights, save for the restructuring of the Company submitted to the Shareholders' general meeting for approval in accordance with the Articles of Association.

The Directors, Supervisors, president and other members of the senior management have the responsibility when exercising their rights or carrying out their obligations to act with the care, diligence and skill due from a reasonably prudent person under similar circumstances.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company may amend its Articles of Association in accordance with the requirements of law and the Articles of Association. The Company shall amend the Articles of Association in case of one of the following conditions:

(a) the provisions of Articles of Association conflict with the revised Company Law or relevant laws and regulations;

(b) any changes of the Company do not accord with the provisions of Articles of Association;

(c) a Shareholders' general meeting resolves to amend the Articles of Association.

Where the amendment to the Articles of Association involves the contents of the Mandatory Provisions, such amendment shall become effective upon approval by the competent department authorized by the State Council. In respect of the changes relating to the registered particulars of the Company, alteration of registration shall be made in accordance with law.

The Directors shall amend the Articles of Association in accordance with the resolutions of the Shareholders' general meeting and the opinions of the competent authorities.

Where the amendment to the Articles of Association is required to be disclosed by laws, such amendment shall be announced in accordance with relevant requirements.

SPECIAL VOTING PROCEDURES FOR CLASS SHAREHOLDERS

Shareholders holding different classes of Shares shall be class shareholders. Class shareholders shall enjoy the rights and assume the obligations stipulated by laws and the Articles of Association.

Rights conferred on any class of Shareholders in the capacity of Shareholders may not be varied or abrogated by the Company unless approved by a special resolution of the Shareholders' general meeting and by holders of Shares of that class at a separate meeting conducted in accordance with the Articles of Association.

The following circumstances shall be deemed to be a variation or abrogation of the rights of a class shareholder:

(a) an increase or decrease in the number of Shares of such class, or an increase or decrease in the number of Shares of a class having voting or equity rights or privileges equal or superior to those of the Shares of such class;

(b) an exchange of all or part of the Shares of such class into Shares of another class or an exchange or creation of a right of exchange of all or part of the Shares of another class into the Shares of such class;

(c) a removal or reduction of rights to accrued dividends or rights to cumulative dividends attached to Shares of such class;

(d) a removal or reduction of a dividend preference or a liquidation preference on assets distribution attached to Shares of such class;

(e) an addition, a removal or reduction of conversion privileges, options, voting rights, transfer or pre-emptive rights, or rights to acquire securities of the Company attached to Shares of such class;

(f) a removal or reduction of rights to receive payment payable by the Company in particular currencies attached to Shares of such class;

(g) a creation of a new class of Shares having voting or equity rights or privileges equal or superior to those of the Shares of such class;

(h) a restriction of the transfer or ownership of the Shares of such class or an addition to such restriction;

(i) an issuance of rights to subscribe for, or convert into, Shares of such class or another class;

(j) an increase of the rights or privileges on Shares of another class;

(k) a restructuring of the Company where the proposed restructuring will result in different classes of Shareholders bearing a disproportionate burden of such proposed restructuring;

(l) a variation or abrogation of provisions in the Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at the Shareholders' general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (b) to (h), (k) and (l) above, but interested Shareholder(s) shall not be entitled to vote at class meetings.

Resolutions of a class meeting shall be passed by votes representing not less than two-thirds of the voting rights of Shareholders of that class represented at the relevant meeting who are entitled to vote at class meetings, as set out in the Articles of Association.

If the number of Shares carrying voting rights at the meeting represented by the Shareholders who intend to attend the class meeting amounts to half or more of the voting Shares at the class meeting, the Company may hold the class meeting; if not, the Company shall notify the Shareholders of the class, again by public notice, within five days, of the matters to be considered, the date and the place for the class meeting. The Company may then hold the class meeting after publication of such notice.

In the event that a class meeting is convened by serving a notice of meeting, such notice only needs to be served on shareholders entitled to vote thereat.

Meetings of any class of Shareholders shall be conducted in a manner as similar as possible to that of Shareholders' general meetings. The provisions of the Articles of Association relating to the manner of conducting any Shareholders' general meeting shall apply to any meeting of a class of Shareholders.

Except for holders of Shares of other classes, holders of domestic shares and overseas-listed foreign-invested shares are deemed to be Shareholders of different classes.

The special procedures for voting at a meeting of a class of Shareholders shall not apply in the following circumstances:

(a) where the Company issues domestic shares and overseas-listed foreign-invested shares, upon the approval by a special resolution of the Shareholders' general meeting, either separately or concurrently once every 12 months, not more than 20% of each of its existing issued domestic shares and overseas-listed foreign-invested shares;

(b) where the plan of the Company to issue domestic shares and overseas-listed foreign-invested shares at the time of its establishment is carried out within 15 months from the date of approval of the securities authority under the State Council;

(c) where the domestic shares of the Company are converted to overseas listed foreign shares upon approval by the State Council or the approving authority delegated by it, and are listed and traded on overseas stock exchanges.

SPECIAL RESOLUTIONS NEEDED TO BE ADOPTED BY MAJORITY VOTE

The resolutions of the Shareholders' meeting are categorized as ordinary resolutions and special resolutions.

An ordinary resolution can be adopted by a simple majority of the votes held by the Shareholders(including proxies) attending the general Shareholders' meeting.

A special resolution can be adopted by a two-thirds majority of the votes held by the Shareholders (including proxies) attending the general Shareholders' meeting.

VOTING RIGHTS (GENERALLY, RIGHT TO POLL AND RIGHT TO DEMAND A POLL)

The common Shareholders have the right to attend or appoint a proxy to attend and vote at the general shareholders' meeting. When voting at the general shareholders' meeting, the shareholder (or proxy) may exercise his or her voting rights in accordance with the number of shares with voting power held with each share representing one vote.

At any Shareholders' general meeting, a resolution shall be decided on a show of hands unless demanded before or after any vote by show of hands or required by the regulations of the listing place:

(a) by the chairman of the meeting;

(b) by at least two Shareholders entitled to vote or their proxies; or

(c) by one or more Shareholders present in person or by proxy and representing 10% or more of all Shares carrying the right to vote at the meeting.

Unless a poll is so required, a declaration by the chairman that a resolution has, on a show of hands, been carried out to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution.

The demand for a poll may be withdrawn by the person who makes such demand.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to casting a vote.

SHAREHOLDERS' GENERAL MEETING

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Extraordinary shareholders' meeting are divided into all shareholders' meetings and class meetings. Annual general meetings shall be convened once a year within six months from the end of the previous financial year.

ACCOUNTS AND AUDIT

Financial and Accounting Policy

The Company shall establish its financial and accounting system in accordance with the laws of the PRC and the PRC GAAP stipulated by the relevant authorities of the PRC.

The Board of the Company shall place before the Shareholders at every annual general meeting such financial reports to be prepared by the Company as are required by relevant laws.

The financial statements of the Company shall be prepared in accordance with PRC Accounting Standards and regulations, unless the laws and regulations or the listing rules of the place where shares of the Company are listed require that the financial statements of the Company shall also be prepared in accordance with international accounting standards or the accounting standards of the place outside the PRC where shares of the Company are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in the notes to the financial statements. When the Company is to distribute its profits after tax, it is required to distribute dividends based on the lower of the distributable reserves of the Company determined under the two accounting standards.

The financial reports of the Company shall be made available for inspection of Shareholders at the Company 20 days before the date of every annual general meeting. Each Shareholder shall be entitled to obtain a copy of the financial reports.

Subject to the Articles of Association, the Company shall dispatch to each holder of overseas listed foreign shares the aforesaid financial reports together with reports of Directors, accompanied by the balance sheets (including all the documents required by applicable laws to be annexed thereto) and statement of profit and loss or income and expenditure account, by delivery or by prepaid mail or other methods as permitted by the rule of the stock exchange of the place where the Shares of the Company are listed, to each of the holders of overseas-listed foreign Shares by prepaid mail no later than 21 days before the date of the annual general meeting. If the reports and statements are sent by prepaid maid, the address of such holders is the address registered in Shareholders List.

Interim results or financial information announced or disclosed by the Company shall be prepared in accordance with the PRC Accounting Standards and regulations as well as the international accounting standards or the local accounting standards of the place where Shares of the Company are listed.

The Company shall not establish separate accounting books other than the statutory ones. Assets of the Company shall not be deposited in any account opened in the name of any individual.

Appointment and Removal of Accountants

Our Company shall appoint an independent accounting firm that meets relevant requirements of the law of the PRC to be responsible for auditing its annual financial report and other financial reports.

The term of the accounting firm appointed by the Company shall be from the close of the Shareholders' annual general meeting to the close of the next annual meeting.

Without prejudice to the right of the accounting firm to claim compensation for being dismissed and replaced, the Shareholders may replace the accounting firm through an ordinary resolution at the Shareholders' general meeting prior to the expiration of the term of the accounting firm notwithstanding the terms and conditions of the contract entered into between the Company and the accounting firm.

Appointment, dismissal or termination of the contract of the accounting firm by the Company is subject to the resolution at the Shareholders' general meeting and shall be filed with the securities regulatory authority under the State Council.

Prior to the removal or the non-renewal of the appointment of the accounting firm, an advance notice of such removal or non-renewal shall be given to the accounting firm, and the accounting shall be entitled to make a statement in the general meeting. In the event that the accounting firm requests to resign, it shall declare to the shareholders' general meeting whether there is any impropriety on the part of the Company. The accounting firm may resign its office by depositing at the Company's legal address a resignation notice which shall become effective from the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following statements:

(i) a statement to the effect that there are no circumstances connected with its resignation which necessary to be brought to the notice of the Shareholders or creditors of the Company; or

(ii) a statement of any relevant situations which needs to be brought to notice.

Where a notice is deposited under the preceding paragraph, the Company shall send a copy of the notice to the relevant governing authority within 14 days after receiving of such notice. If the notice contains a statement under paragraph (ii) of the preceding paragraph, a copy of such statement shall be placed at the Company for the inspection of Shareholders. The Company shall also send a copy of such statement by prepaid mail to every Shareholder of overseas-listed foreign-invested shares at the address registered in the register of Shareholders.

Where the notice of resignation of the accounting firm contains a statement of any circumstances which should be brought to the notice, the accounting firm may require the Board to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

NOTICE OF SHAREHOLDERS' GENERAL MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

The Shareholders' general meeting is the organ of authority of the Company and its functions and powers shall be exercised in accordance with the law.

Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two months:

(a) when the number of Directors is less than the minimum number of Directors required by the Company Law or two-thirds of the number of Directors specified in the Articles of Association;

(b) when the unrecoverable losses of the Company amount to one-third of the total amount of its share capital;

(c) when Shareholders individually or collectively holding 10% or more of the Shares of the Company request by notice;

(d) when deemed necessary by the Board;

(e) when suggested by the Supervisory Committee;

(f) other conditions required by law, administrative regulations, regulatory rules of the place where the Shares of the Company are listed, or the Articles of Association.

When the Company convenes a Shareholders' general meeting, written notice of the meeting shall be given 45 days (excluding the date on which the meeting convenes) to the Shareholders before the date of the meeting to notify all of the Shareholders in the register of Shareholders of the matters to be considered and the date and place of the meeting. A Shareholder who intends to attend the meeting shall deliver his written reply concerning the attendance of the meeting to the Company 20 days before the date of the meeting.

The Board, the Supervisory Committee and Shareholders individually or jointly holding 3% or more of the total number of the Shares of the Company shall have the right to make proposals to the Company in writing.

The Company shall, based on the written replies received from the Shareholders 20 days before the date of the Shareholders' general meeting, calculate the number of voting Shares represented by the Shareholders who intend to attend the meeting. If the number of voting Shares represented by the

Shareholders who intend to attend the meeting reaches one-half of the total voting Shares, the Company may hold the meeting; if not, the Company shall, within five days, notify the Shareholders again by way of public announcement the matters to be considered, the date and place for the meeting. The Company may hold the meeting after publication of such announcement.

A notice of meeting of Shareholders shall be required to:

(a) be in writing;

(b) specify the time, place and duration of the meeting;

(c) state the matters and proposals to be considered at the meeting;

(d) provide such information and explanation as necessary for the Shareholders to make an informed decision on the matters to be discussed. Without limiting the generality of the foregoing, where a proposal is made to consolidate and repurchase the Shares of the Company, to reorganize its share capital, or to restructure the Company in any other way, the specific terms and the contract, if any, of the proposed transaction shall be provided and the reason and effect of such proposal shall be carefully explained;

(e) contain a disclosure of the nature and extent of the material interests of any Director, Supervisor, president and the senior management in the matters to be discussed, and difference in the effect which the matters to be discussed will have on them in their capacity as Shareholders in so far as it is different from the effect on the interests of Shareholders of the same class;

(f) contain the full text of any special resolution to be proposed for approval at the meeting;

(g) conspicuously contain a statement specifying that all Shareholders are entitled to attend and vote at the Shareholders' general meeting, and any Shareholder entitled to attend and vote at such meeting is entitled to appoint proxy or proxies to attend and vote at such meeting on his/her behalf and that a proxy need not be a Shareholder of the Company;

(h) specify the date and place for the delivery of proxy form for use at the meeting;

(i) specify the record date of the Shareholders who are entitled to attend the Shareholders' general meeting;

(j) specify the names and contact details of the contact persons for the meeting.

If any matter to be discussed requires opinions of the independent non-executive Directors, the opinions and reasons of the independent nonexecutive Directors shall be disclosed together with the issuance of notice and supplementary notice of Shareholders' general meeting.

The Company shall deliver shareholder the notice of shareholders' general meetings which shall be served on each shareholder (whether or not such shareholder is entitled to vote at the meeting), by personal delivery or prepaid mail to the address of the shareholder as shown in the register of shareholders. The notice of the meetings may be issued by way of public announcement for the holders of domestic shares.

The public announcement above shall be published in one or more newspapers designated by the CSRC and the regulator of the place of listing during the period between 45 and 50 days before the meeting is to be held. Once the announcement is made, all holders of domestic shares shall be deemed to have received notice of the relevant general meeting. A meeting and the resolutions adopted thereat shall not be invalidated due to the accidental omission to give notice of the meeting to, or the non-receipt of notice of the meeting by, a person entitled to receive notice.

Shareholders who individually or jointly holding 10% or more of the Company's shares ("Requisitioning Shareholders") and request for convening an extraordinary general meeting shall comply with the following procedures:

(a) Requisitioning Shareholders shall be entitled to sign a written requisition in one or more counterparts in the same form and content, requiring the Board to convene an extraordinary general meeting or class general meeting and state in such written requisition the matters to be discussed at the meeting. The Board shall convene the shareholders' general meeting or the meeting of shareholders of different class as soon as possible after having received the above-mentioned written request. The shareholding referred to above shall be calculated as at the date on which the written request is made.

(b) If the Board fails to or does not perform the duty of convening an extraordinary general meeting or class general meeting, the Supervisory Committee shall promptly convene and preside over such meeting; if the Supervisory Committee does not convene and preside over the meeting, in which case Shareholders holding, individually or in aggregate, 10% or more the Shares of the Company for 90 consecutive days may convene and preside over such meeting.

Where shareholders convene and hold a meeting because the Board failed to hold such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Company.

The Supervisory Committee shall have the right to propose to the Board to convene an extraordinary general meeting, and shall put forward the proposal to the Board in written form. The Board shall, in accordance with the laws, regulations and the Articles of Association, give a written reply on whether to convene an extraordinary general meeting or not within ten (10) days upon receipt of the proposal.

If the Board agrees to convene an extraordinary general meeting, it shall send out a notice of the extraordinary general meeting within five (5) days after the resolution of the Board is made; if it makes any change to the original proposal in the notice, it shall obtain the consent of the Supervisory Committee.

If the Board does not agree to convene an extraordinary general meeting or fails to give a reply within ten (10) days upon receipt of the proposal, it shall be regarded that the Board is unable or fails to perform the duty of convening the shareholders' general meetings, and the Supervisory Committee may convene and preside over the meeting by itself.

If the Supervisory Committee or shareholders decide to convene the shareholders' general meeting on their own initiative, they shall notify the Board in writing and file the notice of meeting with the branch of the CSRC and the stock exchanges at the place where the Company locates for records.

The shareholder(s) entitled to convening the shareholders' general meeting must hold no less than 10% of shares in the Company immediately before and when the resolution of such meeting is announced.

The shareholders solely or aggregately holding more than three percent of the Company's shares may make an interim draft resolution to the convener in writing ten days before the convening of the shareholders' general meeting. The convener shall, within two days after the receipt of the draft resolution, make a supplementary notice of shareholders' general meeting and announce the contents of such interim draft resolution.

Unless otherwise required by the preceding paragraph, the convener shall not amend the proposals listed in the aforesaid notice or add any new proposals subsequent to the dispatch of a notice of the general meeting.

A shareholders' general meeting convened by the Board shall be chaired and presided over by the chairman of the Board. In the event that the chairman is incapable of performing or does not perform his/her duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his/her duties, a director nominated by more than half of directors shall preside over the meeting.

Decisions of the general meeting on any of the following matters shall be adopted by ordinary resolution:

(a) the Company's operational policies and investment plans;

(b) appointment and dismissal of and remuneration for the directors and the supervisors who are not employees' representatives and terms of payment of such remuneration;

(c) work statements of the Board and the board of supervisors;

(d) annual financial budget and final reports of the Company;

(e) profit distribution plan and loss recovery plan formulated by the Board;

(f) employment, dismissal or discontinuing the appointment of a CPA firm;

(g) change of the use of the proceeds raised;

(h) the Company's donations and sponsorship program with one-off sum of RMB5 million or above;

(i) matters other than those required by the laws and regulations, listing rules of the place where the Shares of the Company are listed or by the Articles of Association to be approved by way of a special resolution.

The following matters shall be approved at the Shareholders' general meeting as special resolutions:

(a) the increase or decrease of registered share capital of the Company;

(b) the issue of corporate bonds, Shares of any class, warrants and other similar securities;

(c) the division, merger, dissolution and liquidation of the Company and the change in corporate form;

(d) amendments to the Articles of Association;

(e) acquisition or sale of major assets within one year with an amount exceeding 30% of the most recent total audited assets of the Company;

(f) share option incentive plans;

(g) the repurchase of the shares of the Company;

(h) matters required by laws, regulations, the rules governing the securities in the place where the Shares of the Company are listed or the Articles of Association and any other matters considered by the Shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and should be approved as a special resolution.

TRANSFER OF SHARES

Except otherwise provided by laws, the shares in the Company may be assigned freely without any liens attached.

All overseas listed foreign investment shares listed in Hong Kong for which the share capital has been paid in full may be transferred freely in accordance with the Articles of Association. The Board may refuse to recognize any instrument of transfer without giving any reason unless such transfer is carried out in compliance with the following conditions:

(a) payment of fees stipulated by the Listing Rules to the Company and the Hong Kong Stock Exchange or higher charge as agreed at such time by the Hong Kong Stock Exchange has been made to the Company for the purpose of registering the instrument of transfer and other documents relating to or which may affect the title to the shares;

(b) the assignment documents shall be related to the foreign investment shares listed on the Hong Kong Stock Exchange;

(c) the stamp duty in respect of the assignment documents has been paid in accordance with the requirements of the laws of Hong Kong;

(d) relevant share certificates as well as the evidences reasonably required by the Board to prove that the assignor has the right to assign shall be provided;

(e) if the shares are assigned to joint holders, such number of joint holders shall not exceed four;

(f) the relevant shares are free from any liens of any companies.

If it refuses to register the share assignment, the Board of the Company shall give the assignor and assigner a notice of assignment refusal within two months as of the date when the assignment application is officially submitted.

Where the holders of the Company's overseas listed foreign invested shares listed in Hong Kong are to transfer all or part of such shares, the transfer shall be effected by instruments of transfer in the usual or common form or in a form prescribed by the designated stock exchange or in any other form approved by the board and may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The shares of the Company held by the promoters may not be transferred within one year from the date of the initial public offering of shares by the Company and their listing and commencement of trading on the stock exchange.

The directors, supervisors and the senior management members of the Company shall report to the Company the shares of the Company that they hold and the changes in their shareholdings. A director, supervisor or senior officer may not transfer the shares of the Company he or she holds within one year from the date on which the Company's shares are listed and begin to trade. Thereafter, during his or her term of service, he or she may not transfer more than 25% of his or her total holding of the Company's shares each year. Any of them may not transfer the Company's shares he or she holds within 6 months after his or her departure from the Company.

Any gains from sale of Shares in the Company by any Directors, Supervisors and other members of the senior management or Shareholders holding 5% or more of the shares in the Company within six months after their purchase of the same, and any gains from purchase of Shares in the Company by any of the aforesaid parties within six months after sale of the same shall belong to the Company. The Board of the Company shall forfeit such gains from the abovementioned parties.

If the Board does not act in accordance with the aforesaid provisions, the Shareholders shall be entitled to request the Board to effect the same within 30 days. If the Board fails to do so within the aforesaid period, the Shareholders are entitled to commence proceedings with a People's court directly in their own names for the interests of the Company.

RIGHTS TO REPURCHASE ITS OUTSTANDING SHARES IN ISSUE

The Company may repurchase its Shares pursuant to requirements and procedures under laws, regulations, requirements of authorities and the Articles of Association under the following circumstances:

(a) reducing the registered capital of the Company;

(b) merging with another company that holds Shares in the Company;

(c) granting Shares to employees of the Company as incentives;

(d) acquiring Shares held by Shareholders (upon their request) who vote against any resolution proposed in any Shareholders' general meeting on the merger or division of the Company;

(e) other circumstances permitted by laws and regulations or approved by the approval authority authorized by the State Council.

Save as aforementioned, the Company shall not purchase or sell the Shares of the Company.

Any repurchase of Shares by the Company for the purpose of items (a) to (c) of the foregoing paragraph shall be resolved at the Shareholders' general meeting. After repurchasing shares by the Company, for the circumstance set out in item (a), such Shares shall be cancelled within 10 days, and for circumstances set out in items (b) and (d), such Shares shall be transferred or cancelled within six months. Where the Company has acquired its Shares pursuant to item (c) of the foregoing paragraph, the Shares so acquired shall not exceed 5% of the total Shares issued by the Company. The capital used for acquisition shall be financed by the profit after tax of the Company, and such Shares so acquired shall be transferred to employees within one year.

Acquisition of the Shares of the Company lawfully may be carried out in any of the following manners:

(a) to make an offer to all Shareholders in proportion to their respective shareholdings;

(b) to repurchase Shares in open trading on a stock exchange;

(c) to repurchase by way of agreement other than through a stock exchange;

(d) other means as permitted by the laws and regulations and approval authorities authorized by the State Council.

Where the Company repurchases its Shares by way of agreement other than through a stock exchange, it shall seek prior approval of the Shareholders at the Shareholders' general meeting in accordance with the Articles of Association. The Company may release or vary a contract so entered into by the Company or waive its rights thereunder with prior approval by Shareholders at a Shareholders' general meeting obtained in the same manner.

The contract to repurchase Shares as referred to in the preceding paragraph includes, but not limited to, an agreement to become obliged to repurchase or to acquire the right to repurchase Shares.

The Company shall not assign a contract for repurchasing its Shares or any of its right thereunder.

In the event that the Company has the rights to repurchase the redeemable Shares, that is where repurchases are not made through the market or by tender, the cost of such repurchase shall not exceed a certain price limit; and where repurchases are made by tender, such tenders shall be made available to all Shareholders under the same conditions.

Unless the Company is in the course of liquidation, it must comply with the following provisions in repurchasing its own issued and outstanding Shares:

(a) where the Company repurchases Shares of the Company at par value, payment be deducted from the book balance of distributable profits of the Company or out of the proceeds of a new issue of Shares made for that purpose;

(b) where the Company repurchases its Shares at a premium, an amount equivalent to their total par value shall be deducted from the book balance of distributable profits of the Company or out of the proceeds of a new issue of Shares made for that purpose. Payment of the portion in excess of their par value shall be effected as follows:

    (i) if the Shares being repurchased were issued at their par value, payment shall be made out of the book balance of distributable profits of the Company;

    (ii) if the Shares being repurchased were issued at a premium, payment shall be made out of the book balance of distributable profits of the Company or the proceeds of a new issue of Shares made for that purpose, provided that the amount paid out of the proceeds of the new issue may not exceed the aggregate of premiums received by the Company on the issue of the Shares repurchased or the current balance of the premium account (or capital reserve account) of the Company (inclusive of the premiums from the new issue).

(c) payment by the Company in consideration for the following shall be made out of the distributable profits of the Company:

    (i) acquisition of rights to repurchase the Company's Shares;

    (ii) variation of any contract to repurchase the Company's Shares;

    (iii) release of any obligation under any contract to repurchase the Company's Shares.

(d) After the reduction of the aggregate par value of the cancelled Shares from the registered capital of the Company in accordance with relevant requirements, the amount for repurchases Shares at par value out of the distributable profits of the Company shall be transferred to the premium account (or capital reserve account) of the Company.

RIGHTS FOR SUBSIDIARIES TO HOLD SHARES OF PARENT COMPANY

The Articles of Association do not prohibit subsidiaries from holding shares of the parent company.

DIVIDENDS AND DISTRIBUTION

The Company may distribute dividends by way of cash, shares or other ways permitted by the regulations and laws and listing rules.

No profits shall be distributed in respect of the shares held by the Company.

Any amount paid up in advance of calls on any share may carry interest but shall not entitle the holder of the share to participate in respect thereof in a dividend subsequently declared.

The Company shall appoint receiving agents for holders of overseas listed foreign investment shares to collect on behalf of the relevant shareholders the dividends distributed and other moneys payable in respect of overseas listed foreign investment shares, and hold the same until they can be paid to the relevant shareholders.

The receiving agents appointed by the Company shall meet the requirements of the laws of the place, or the relevant regulations of the stock exchange, where shares are listed.

The receiving agents appointed by the Company for the holders of overseas listed foreign investment shares listed on the SEHK shall be trust companies registered under the *Trustee Ordinance* of Hong Kong.

After the profit distribution plan has been resolved at a general meeting, the Board shall complete the dividend (or share) distribution within two months after the holding of such meeting.

When distributing dividends to shareholders, the Company shall withhold and turn over the tax payable on the dividend income of shareholders based on the amount distributed and in accordance with PRC tax laws.

PROXIES

Any Shareholder entitled to attend and vote at a Shareholders' general meeting shall have the right to appoint one or several persons (who may not be Shareholders) to act as their proxies to attend and vote at the meeting on their behalf. The proxies so appointed by the Shareholders may exercise the following rights:

(a) have the same right as the Shareholder to speak at the meeting;

(b) have authority to demand or, jointly with others, to demand a poll;

(c) have the right to vote by hand or on a poll. Where more than one proxy is appointed, the proxies may only exercise the voting right on a poll.

A Shareholder shall appoint his/her proxy(ies) in writing, which shall be signed by the principals or their agents appointed in writing. If the principal is a legal person, the instrument shall be under the seal of the legal person or signed by its director(s) or duly authorized agent(s).

The instrument of appointment by which a shareholder appoints another person to attend a general meeting shall specify the following particulars:

(a) the names of the principal and of the proxy;

(b) the number of shares of the principal that the proxy represents;

(c) whether the proxy has the right to vote;

(d) separate instructions as to whether to vote for, vote against, or abstain from voting on, each item included on the agenda of the general meeting as an item for consideration thereat;

(e) whether the proxy has the right to vote on extempore motions that may be added to the agenda of the meeting and the specific instructions as to what vote to cast if he or she has such right to vote;

(f) the date of issuance and term of validity of the instrument of appointment;

(g) the signature (or seal) of the principal; where the appointer is a legal entity, the letter of attorney shall be affixed with its common seal.

A letter of proxy shall be lodged at the domicile of the Company or other places specified in the notice of meeting 24 hours before the relevant meeting for voting, or 24 hours before the designated time of voting. Where the letter of attorney is signed by a person under a letter of attorney on behalf of the appointer, the letter of attorney or other authorization documents authorized to be signed shall be notarized. A notarially certified copy of that letter of attorney or other authorization documents, together with the letter of proxy, shall be deposited at the domicile of the Company or other places specified in the notice of meeting.

Where the appointer is a legal person, its legal representative or other persons authorized by the resolutions of the Board or other decision-making organ to act as its representatives may attend the Shareholders' general meeting of the Company as a representative of the appointer.

Any letter of proxy provided by a Shareholder to the Board for appointing a proxy shall allow the Shareholder to freely instruct the proxy to cast vote for or against on each resolution dealing with the matters to be resolved at the meeting. Such letter of proxy shall contain a statement that in the absence of instructions by the Shareholder, the proxy of such Shareholder may vote at his/her own will.

Where the appointer has deceased, been incapacitated to act or withdrawn the appointment or the letter of proxy, or where the relevant Shares have been transferred prior to the voting, a vote given in accordance with the letter of proxy shall remain valid, provided that no written notice of such event has been received by the Company prior to the commencement of the relevant meeting.

REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

The Company may, in accordance with the mutual understanding and agreements made between the CSRC and overseas securities regulatory authorities, maintain its register of holders of overseas-listed foreign-invested shares outside the PRC and appoint overseas agent(s) to manage such register. The original register of holders of shares listed in the Hong Kong Stock Exchange shall be maintained in Hong Kong. The Company shall maintain a duplicate of the register of holders of overseas-listed foreign invested shares at the domicile of the Company. The appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the register of holders of overseas-listed foreign-invested shares at all times.

If there is any inconsistency between the original and the duplicate of the register of holders of overseas-listed foreign-invested shares, the original version shall prevail.

The Company shall maintain a complete register of Shareholders. The register of Shareholders shall include the following:

(a) the register of Shareholders maintained at the domicile of the Company (other than those parts as described in items (b) and (c) below);

(b) the register of Shareholders in respect of the holders of overseas-listed foreign-invested shares of the Company maintained at the place where the overseas stock exchange in which the shares are listed is located;

(c) the register of Shareholders maintained at such other place as the Board may consider necessary for the purpose of listing of the shares of the Company.

Different parts of the register of Shareholders shall not overlap with one another. No transfer of the Shares registered in any part of the register shall, during the existence of that registration, be registered in any other part of the register of Shareholders. Alteration or rectification of each part of the register of Shareholders shall be made in accordance with the laws of the place where that part of the register of Shareholders is maintained.

Transfers may not be entered in the register of Shareholders within 30 days prior to the date of a Shareholders' general meeting or within five days prior to the record date set by the Company for the purpose of distribution of dividends.

When the Company intends to convene a Shareholders' general meeting, distribute dividends, liquidate and engage in other activities that involve determination of shareholding, the Board shall appoint a record date for the registration of shareholdings, Shareholders whose names appear on the register at closing on the date of record shall be the shareholders entitled to the relevant rights and interests.

Any person that challenges the register of shareholders and requests that his or her name be entered into or removed from the register may apply to the competent court for rectification of the register.

Shareholders have the right to obtain the following information, including but not limited to:

(a) the right to obtain a copy of the Articles of Association, subject to payment of the cost of such copy;

(b) subject to payment of a reasonable charge, the right to inspect and copy:

  (i) all parts of the register of Shareholders;

  (ii) personal particulars of each of the Directors, Supervisors, president and other members of the senior management of the Company, including:

    (aa) their present name and alias and any former name and alias;

    (bb) principal residential address;

    (cc) nationality;

    (dd) primary and all other part time occupations and respective positions;

    (ee) identification document and identification number.

(iii) the state of the Company's share capital;

(iv) reports showing the aggregate par value, quantity, maximum and minimum price paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount incurred by the Company for this purpose;

(v) the debenture records of the Company, minutes and resolutions of Shareholders' general meetings, resolutions of Board meetings, resolutions of meetings of the Supervisory Committee and the audited financial and accounting report.

Shareholders demanding to inspect or get a copy of the relevant information stipulated in the foregoing paragraphs shall provide written documents evidencing the class of shares they hold and the number of such shares. The Company shall provide the information as requested by the Shareholders upon verifying the identification of such Shareholders.

QUORUM FOR SHAREHOLDERS' GENERAL MEETINGS

The Company may convene a general meeting where the number of voting Shares represented by Shareholders intending to attend the meeting amounts to half or more of the voting Shares of the Company; or, if that number is lower, the Company shall within five days notify the Shareholders again of the matters proposed to be considered at the meeting, the date and the place of the meeting by way of public announcement. After such public announcement, the Company may hold the Shareholders' general meeting.

RESTRICTIONS ON THE RIGHTS OF CONTROLLING SHAREHOLDER

The Controlling Shareholder or the de facto controller of the Company shall not use his/her connected relationship to prejudice the interests of the Company. In violation of such provisions, he/her shall be liable to compensate the Company for the losses thereof.

The Controlling Shareholder and the de facto controller of the Company have the duty to act in good faith towards the Company and public Shareholders. The Controlling Shareholder shall strictly exercise his/her rights as a capital contributor in accordance with the laws and shall not take advantage of profit distribution, asset restructuring, external investment, capital appropriation and loan guarantee to the detriment of the legal interests of the Company and public Shareholders. Nor shall they take the advantage of their controlling position to the detriment of the Company and public Shareholders.

In addition to obligations imposed by laws, regulations or required by the listing rules of the stock exchange at where Shares of the Company are listed, the Controlling Shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of the Shareholders generally or of some part of the Shareholders of the Company:

(a) to relieve a Director or Supervisor of his/her duty to act honestly in the best interests of the Company;

(b) to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person), in any way, of the assets of the Company, including (without limitation) opportunities beneficial to the Company;

(c) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual interests of other Shareholders, including (without limitation) rights to distributions and voting rights but excluding a restructuring of the Company approved at the Shareholders' general meeting in accordance with the Articles of Association.

LIQUIDATION OF THE COMPANY

Under any of the following circumstances, the Company shall be dissolved and liquidated lawfully:

(a) a resolution for dissolution is passed at a Shareholders' general meeting;

(b) dissolution as a result of a merger or division of the Company;

(c) the Company is legally declared insolvent due to its failure to repay debts due.

(d) the business licence of the Company is revoked, or the Company is ordered to close down or is eliminated in accordance with laws;

(e) Shareholders holding not less than 10% of all the voting rights of the Company may request the people's court to dissolve the Company when the Company experiences severe difficulties in its operations and management and that continual operation of the Company will bring significant losses to the interest of Shareholders while there are no other ways to resolve the difficulties.

Should the Company dissolve due to reasons stipulated in the aforesaid items (a), (d) and (e), it shall set up a liquidation committee to begin liquidation within 15 days after the occurrence of the dissolution event. The liquidation committee shall comprise members by directors or determined by the resolutions of the Shareholders' general meeting, failing which creditors may apply to the people's court for the establishment of a liquidation committee comprising designated persons.

In the event that the Company is dissolved as results of the circumstance in the aforesaid item (c), the people's court shall organize the Shareholders of the Company, related agencies and professionals to form the liquidation committee to dissolve pursuant to relevant provisions of the laws.

Where the Board decides to liquidate the Company (due to causes other than the declaration of insolvency), the Board shall include a statement in its notice convening a Shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay its debts in full within 12 months from the commencement of the liquidation.

Upon passing of the resolution for the liquidation of the Company by the Shareholders' general meeting, all functions and powers of the Board shall cease.

In accordance with the instructions of the Shareholders' general meeting, the liquidation committee shall at least once a year report at the Shareholders' general meeting on the income and expenditure of the liquidation committee, progress of the business and liquidation of the Company, and submit a final report at the Shareholders' general meeting upon completion of liquidation.

The liquidation committee shall inform its creditors within ten days from the date of its establishment, and shall publish a public announcement at least three times in newspaper within 60 days from the date of its establishment. A creditor shall have right to require the Company to pay its debts or provide relevant guarantees within 30 days from the date of receipt of a written notice or, in the case of a creditor who does not receive such notice, within 45 days from the date of public announcement.

The creditors shall provide a statement and evidence with respect thereof in claiming their rights. The liquidation committee shall register the rights of the creditors.

During the period of declaration of claims, the liquidation committee shall not settle any debt with the creditors.

The liquidation committee shall exercise the following functions and powers during the period of liquidation:

(a) to notify the creditors or to publish public announcements;

(b) to categorize the assets of the Company and prepare a balance sheet and an inventory of assets;

(c) to dispose of and liquidate any unfinished businesses of the Company;

(d) to pay all outstanding taxes and taxes incurred in the course of liquidation;

(e) to settle claims and debts;

(f) to deal with the surplus assets remaining after repayment by the Company of its debts;

(g) to represent the Company in any civil proceedings.

After the liquidation committee has sorted the assets of the Company and prepared a balance sheet and an inventory of assets, it shall prepare a liquidation plan and submit it to the Shareholders' general meeting or the people's court for confirmation.

The surplus assets remaining after payment by the Company of its liquidation expenses, staff' wages, social insurance contribution, statutory compensation and outstanding taxes, and settlement of indebtedness of the Company shall be distributed to the Shareholders in proportion to their shareholdings.

During the liquidation period, the Company subsists, but should not carry out any activities unrelated to liquidation. No asset of the Company shall be distributed to the Shareholders before payment of aforesaid expenses and debts.

If the liquidation committee, having sorted the assets of the Company and prepared the balance sheet and an inventory of assets, discovers that there are insufficient assets in the Company to pay off its debts, it shall apply to the people's court forthwith for a declaration of bankruptcy.

Upon declaration of bankruptcy of the Company by the people's court, the liquidation committee shall hand over the liquidation matters to the People's court.

Upon completion of liquidation, the liquidation committee shall prepare a liquidation report, an income and expenditure statement and financial account for the period of liquidation and, after they are certified by a PRC certified public accountant, submit to the Shareholders' general meeting or the people's court for confirmation. The liquidation committee shall, within 30 days from the date of confirmation by the Shareholders' general meeting or the people's court, submit the aforesaid documents to the company registration authority for deregistration of the Company and make an announcement on its termination.

OTHER IMPORTANT PROVISIONS ON OUR COMPANY AND SHAREHOLDERS

General Provisions

Our Company is a joint stock limited company in perpetual existence.

The Company may invest in other enterprises such as companies with limited liabilities and joint stock companies. The Company's liabilities to an investee company shall be limited to the amount of its capital contribution or value of its subscribed shares to such investee. However, except otherwise required by laws, the Company should not become the contributor who need assume the joint and several liability over the debts of the investee company.

The Articles of Association shall have binding effect on the Company, and its Shareholders, Directors, Supervisors, president and other members of the senior management. Such persons shall be entitled to exercise their rights regarding the Company according to the Articles of Association.

Pursuant to the Articles of Association, the Shareholders may bring legal action against the Company while the Company may bring legal action against the Shareholders. Pursuant to the Articles of Association, a Shareholder may bring legal actions against the other Shareholders and Directors, Supervisors, president and other members of the senior management of the Company.

Our Company may increase its share capital by the following means:

(i) public offer of Shares;

(ii) non-public offer of Shares;

(iii) placement of new Shares with its existing Shareholders;

(iv) allotment of new Shares to its existing Shareholders;

(v) transfer of reserve fund into share capital;

(vi) other means permitted by laws and regulations and approved by the relevant PRC regulatory agencies.

The Company may reduce its registered capital, which shall be made in accordance with the procedures set out in the PRC Company Law, other relevant regulations and the Articles of Association.

The registered capital of the Company after reduction shall not be less than the statutory minimum amount.

When the Company needs to reduce its registered share capital, it must draw up a balance sheet and an inventory of assets.

Shareholders

A Shareholder of the Company is a person who lawfully holds Shares in the Company and whose name (title) is entered in the register of Shareholders. A Shareholder shall enjoy rights and assume obligations according to the class of Shares held by him/her. Shareholders who hold Shares of the same class shall enjoy the same rights and assume the same obligations.

Subject to the approval of the CSRC, the Company may issue shares to domestic investors and foreign investors.

"Foreign investors" referred to in the preceding paragraph mean those investors who subscribe for the Company's shares and who are located in foreign countries and in the regions of Hong Kong, Macau and Taiwan. "domestic investors" mean those investors who subscribe for the Company's shares and who are located within the territory of the PRC excluding the regions mentioned above.

Shares issued by the Company for the subscription of domestic investors and other qualified investors in Renminbi are called domestic shares. Shares issued by the Company for the subscription of foreign investors and other qualified investors in foreign currencies are called foreign shares. Foreign shares which are listed overseas are called overseas-listed foreign shares. Both holders of domestic shares and foreign shares are common Shareholders, who enjoy the same rights and assume the same obligations. The common Shareholders of our Company shall enjoy the following rights:

(i) to receive dividends and other distributions in proportion to the number of Shares held;

(ii) to request, convene, preside over, attend or appoint a proxy to attend Shareholders' meetings and to vote thereat in accordance with laws, regulations, regulatory rules and the Articles of Association;

(iii) to supervise and manage the business operations of the Company, provide suggestions or raise enquires;

(iv) to transfer, grant or pledge Shares held by him/her in accordance with laws, regulations, relevant requirements of securities regulatory authority in the place where Shares of the Company are listed and the Articles of Association;

(v) to obtain relevant information in accordance with laws, regulations, regulatory rules and the Articles of Association;

(vi) in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in accordance with the number of Shares held;

(vii) to request the Company for a repurchase of Shares held by the Shareholders who are against the resolutions of the merger or division of the Company passed at the Shareholders' general meeting;

(viii) other rights conferred by laws, regulations and the Articles of Association.

The Company shall not use any powers or otherwise to freeze or harm any rights attached to Shares held by any person only owing to his/her non-disclosure to the Company in respect of his direct or indirect interests in the Shares.

Share certificates of our Company shall be in registered form.

The share certificates shall be signed by the chairman of the Board. Where the stock exchange on which the Shares of the Company are listed requires other members of the senior management of the Company to sign on the share certificates, the share certificates shall also be signed by such personnel. The share certificates shall take effect after being affixed or imprinted with the seal of the Company. The share certificates shall only be affixed with the seal of the Company under the authorization of the Board. The signature of the chairman of the Board or other relevant members of the senior management of the Company may be in printed form.

For any person who is a registered Shareholder or who claims that his name (title) should be recorded in the register of Shareholders, he may apply to the Company for a replacement share certificate in respect of such shares (the "**Relevant Shares**") if his share certificate (the "**Original Share Certificate**") is lost, stolen or destroyed.

If a holder of domestic shares has his share certificate stolen, lost or destroyed and applies for a replacement share certificate, it shall be dealt with in accordance with relevant provisions of the PRC Company Law. If a shareholder of overseas-listed foreign shares has his share certificate stolen, lost or destroyed and applies for a replacement share certificate, it shall be dealt with in accordance with the laws, the rules of the stock exchange, or other relevant regulations of the jurisdiction where the original copy of register of Shareholders for overseas-listed foreign shares is maintained.

If a holder of foreign shares listed in Hong Kong lost his share certificate and applies for a replacement share certificate, the issue of such certificate shall comply with the following requirements:

(i) Applicants shall submit an application to the Company in a prescribed form along with a notarization or a statutory declaration stating the grounds upon which the application is made and the circumstances and evidence of the loss of share certificate. Moreover, the applicant shall declare that no other person shall be entitled to have his name recorded into the register of Shareholders with respect to the Relevant Shares;

(ii) The Company shall not have received any declaration made by any person other than the applicant declaring that his name shall be recorded into the register of Shareholders with respect to such shares prior to the issue of a replacement share certificate to the applicant;

(iii) In the event that the Company intends to issue a replacement share certificate to an applicant, it shall publish an announcement of such intention at least once every 30 days within a period of 90 days in the newspaper prescribed by the Board;

(iv) Prior to its publication, the Company shall deliver, to the stock exchange on which its Shares are listed, a copy of aforementioned announcement. The Company may publish the announcement upon receipt of confirmation from such stock exchange confirming the announcement has been exhibited on the premises of the stock exchange. Such announcement shall be exhibited on the premises of the stock exchange for a period of 90 days. In case an application for a replacement share certificate is made without the consent of the registered holder of the Relevant Shares, the Company shall deliver by mail, to such registered Shareholder a copy of the announcement to be published;

(v) If, upon expiration of the ninety-day (90) period for announcement and exhibition referred to in aforesaid items (iii) and (iv), the Company has not received from any person any objection to such application, the Company may issue a replacement share certificate to the applicant according to his application;

(vi) Where the Company issues a replacement share certificate under this Article, it shall forthwith cancel the Original Share Certificate and enter the cancellation and issue in the register of Shareholders accordingly;

(vii) All expenses relating to the cancellation of an Original Share Certificate and the issue of a replacement share certificate by the Company shall be borne by the applicant. The Company may refuse to take any action until a reasonable guarantee is provided by the applicant for such expenses.

Regulations on the authority of the Board and the Board meeting

The Board shall be accountable to the Shareholders' general meeting and exercises the following functions and powers:

(i) to convene Shareholders' general meetings and to report its work to the Shareholders' general meeting;

(ii) to implement the resolutions of Shareholders' general meetings;

(iii) to decide on business plans and annual business objective of the Company;

(iv) to formulate the plans on annual financial budget and final report of the Company;

(v) to formulate the profit distribution plan and plan of the Company on making up losses;

(vi) to formulate the proposals for increase or decrease of the registered capital of the Company;

(vii) to formulate the plans for issuance of corporate bonds, any class of shares, warrants and other similar securities;

(viii) to formulate plans for substantial acquisition, acquisition of shares of the Company or merger, division, restructuring, dissolution and alteration of corporate form of the Company;

(ix) to decide on the provision by the Company of any external guarantee other than those shall be reviewed and approved by the Shareholders' general meeting as specified by the Article 63 of the Articles of Association;

(x) to decide on the Company's acquisition and disposal of significant assets within a year accounting for less than 30% of the latest audited total assets of the Company;

(xi) to decide on the entering into connected transactions other than those shall be reviewed and approved by the Shareholders' general meeting as specified by the laws, regulations and listing rules of shock exchange at the place where the Shares of the Company are listed;

(xii) to decide on the Company's single major investment project accounting for less than 30% of the latest audited net assets of the Company;

(xiii) to decide on the entrusted wealth management, assets charge and pledge matters with a cumulative amount which is not more than 30% of the latest audited net assets of the Company;

(xiv) to decide on the off-budget expenditure with a single amount which is not more than 10% of the latest audited net assets of the Company;

(xv) to decide on the Company's donations and sponsor plans with a single amount which is not more than RMB 5 million;

(xvi) to formulate the schemes for amendments to the Articles of Association, the Rules of Procedure of the Shareholders' General Meeting and the Rules of Procedure of the Board;

(xvii) to appoint or dismiss the president and the secretary to the Board of the Company and, based on the nomination by the president, to appoint or dismiss the senior management, including vice presidents and chief accountant of the Company and to determine their remunerations, incentives and punishments;

(xviii) to decide on the establishment of an internal management organization of the Company;

(xix) to decide on the establishment of each special committee, review and approve the proposals put forth by each special committee of the Board;

(xx) to formulate the Company's basic management system;

(xxi) to formulate the Company's development strategies, medium and long- term development plans and corporate culture development plans, and to supervise the implementation of such strategies and plans;

(xxii) to decide on the Company's risk management system, including risk evaluation, financial control, internal audit and legal risk control, and to supervise the implementation of such systems;

(xxiii) to propose to the Shareholders' general meeting to the appointment, removal or non-reappointment of the accounting firm(s);

(xxiv) to listen to the work reports of the Company's president and inspect the work of president and other members of the senior management;

(xxv) to perform the duties of corporate governance and periodically evaluate and improve the status of corporate governance according to the listing rules of the stock exchanges at the place where the Shares of the Company are listed and relevant laws and regulations;

(xxvi) to formulate the Share Option Incentive Scheme;

(xxvii) to manage the information disclosure of the Company and investor relation management matters;

(xxviii) to exercise other functions and powers stipulated by laws, regulations and the listing rules of stock exchange at the place where the Shares of the Company are listed and the Articles of Association and conferred by the Shareholders' general meeting.

If the aforesaid functions and powers exercised by the Board or any transactions or arrangements executed by the Company shall be reviewed and approved by the Shareholders' general meeting as specified by the listing rules of stock exchange at the place where the Shares of the Company are listed, the same shall be submitted to the Shareholders' general meeting for review and approval.

A resolution made by the Board for items (vi), (vii), (viii), (xvi) and (xxvi) shall be voted and agreed upon by more than two-thirds of the Directors; a resolution for other issues shall be voted and agreed upon by more than half of the Directors. When the Board review and approve the item (ix) of this article, it shall not only be agreed upon by more than half of the Directors, but also shall be agreed upon by more than two-thirds of the Directors present at the meeting of the Board.

When considered necessary, reasonable and in compliance with relevant laws, any specific matters related to the foregoing issues which are unable or unnecessary to be decided at the meetings of the Board may be decided by the Chairman authorized by the Board and its authorized person.

With the authorization made by the Board, the Chairman of the Board may exercise part of functions and powers of the Board when the board is not in session. The content of the authorization made by the Board shall be clear and specific.

A resolution by the Board on a connected transaction shall enter into effect only once the independent non-executive directors have signed the same and compliance with the listing rules of the stock exchange at where Shares of the Company are listed.

The meetings of the Board have regular meeting and interim meeting. The Board shall hold at least four regular meetings each year and the interim meetings shall be convened by the Chairman of the Board. For a regular meeting or an interim meeting, the Company shall deliver a written notice and relevant meeting agenda and documents to all Director, Supervisors, president and the secretory to the Board 14 or 5 days prior to such meetings in person, by mail or fax. Should the listing rules of stock exchange at the place where the Shares of the Company are listed have other requirements, the Company shall comply with such regulatory requirements. If the notice is not given through direct delivery service, the confirmation by telephone is necessary and the corresponding records shall be made.

In the event of any of the following circumstances, the Board shall convene interim meetings of the Board within ten days upon receipt of the proposal:

(i) when proposed by Shareholders holding, individually or collectively, not less than 10% of the Shares of the Company with voting rights;

(ii) when proposed by more than one half of the independent non-executive Directors;

(iii) in the event of an emergence, proposed by more than one third of the Directors or the president;

(iv) when proposed by the Supervisory Committee;

(v) when proposed by the chairman of the Board.

When an interim meeting of the Board needs to be convened as early as possible in case of an emergency, the meeting notice is allowed to be given by telephone or in other verbal forms at any time provided that the convener shall make necessary explanations at the meeting and record them in the meeting minutes.

The Directors shall attend a meeting of the Board in person. In the event that Directors are unable to attend the meeting for some reasons, the Directors shall review the meeting materials and form his/her definite opinions in advance and authorize in writing other Directors to attend the meeting on their behalf. The proxy letter shall specify the proxy's name, entrusted matters, the scope of authorization and the valid term, and shall be affixed with the signature or seal of the consignor. The Director who attends the meeting on behalf of another Director shall exercise the right of the Director within the scope of authorization. If any Director fails to attend the meeting of the Board or entrusts a proxy to be present on his/her behalf or indicate the intention of vote during the voting period , such Director shall be deemed to have waived his/her voting rights at that meeting.

A meeting of the Board shall only be held if it has a quorum of more than half of the Directors. Unless otherwise provided by laws, regulations or the Articles of Association, resolutions of the Board shall be approved by more than half of all Directors. Each Director shall have one vote for the resolutions of the Board. Where there is an equality of votes for and against a particular resolution, the chairman shall be entitled to have a casting vote.

When a Director and the enterprises involved in the resolutions of the Board meeting have connected relations or interested relations, such Director shall not exercise his/her voting rights on such resolutions nor can he/ she exercise any voting rights on behalf of others Directors. The meeting may be held if it has a quorum of more than half of the unconnected or uninterested Directors. The resolutions of the Board meeting shall be passed by more than half of the unconnected or uninterested Directors. If the number of unconnected or uninterested Directors attending the board meeting is less than three, such matter shall be proposed to the Shareholders' general meeting for consideration.

Independent Director

The Board of the Company shall comprise at least one-third of the independent non-executive Directors, and at least one of those independent non-executive Directors shall be an accounting professional.

Secretary of the Board

The secretary of the Board must be a natural person with the requisite expertise and experience and be nominated by the Chairman and appointed by the Board.

Supervisory Committee

The Company shall have a supervisory committee. The Supervisory Committee shall comprise of 3 Supervisors, one of whom shall act as the chairman.

The appointment or removal of the chairman of the Supervisory Committee shall be determined by two-thirds or more of the members of the Supervisory Committee. The chairman shall convene and preside over meetings of the Supervisory Committee. Should the chairman be unable to or fail to carry out his duties, a Supervisor shall be appointed to act as chairman by more than half of the Supervisors to convene and preside over the meetings of the Supervisory Committee.

The Supervisory Committee shall comprise of 2 representatives of Shareholders and 1 representative of staff and workers. The representatives of Shareholders shall be elected and removed by Shareholders' general meeting. The representative of workers and staff shall be elected and removed by the workers and staff of the Company through democratic election.

Directors, the president and other members of the senior management shall not act concurrently as Supervisors.

The Supervisory Committee shall hold at least one meeting every six months, which is to be convened by the chairman. Supervisors are entitled to propose to convene temporary meetings of the Supervisory Committee. If a supervisor fails to attend meetings convened by the Supervisory Committee consecutively for two times and fails to appoint other supervisor(s) to attend such meetings on his/her behalf, he/she shall be deemed as failure on his/her part to perform his/her duties, and shall be removed and replaced at shareholders' general meetings or staff representative meeting .

The written notice for convening the meeting of the Supervisory Committee shall be delivered to all Supervisors 5 days prior such meeting.

The Supervisory Committee shall be accountable to the Shareholders' general meeting and exercise the following functions and powers in accordance with laws:

(i) to examine the financial situation of the Company;

(ii) to supervise the Directors, president and other members of the senior management of the Company and propose to remove Directors and members of the senior management for violation of applicable laws, regulations, the Articles of Association or the resolutions of the Shareholders' general meeting;

(iii) to demand rectification as necessary from a Director, the president and other members of the senior management when the acts of such person are harmful to the interests of the Company;

(iv) to propose to convene an extraordinary general meeting and to convene and preside over the Shareholders' general meeting when the Board of the Company fails to perform the duties of convening and presiding over the Shareholders' general meeting as stipulated in the laws;

(v) to make proposals to the Shareholders' general meeting;

(vi) to review and approve the regular reports of the Company prepared by the Board and form its written views;

(vii) to institute proceedings against the Director and members of the senior management according to the relevant laws;

(viii) to undergo investigation if the situations of the Company is abnormal. And if necessary, to engage professional institutions such as an accounting firm or law firm to assist in its investigation;

(ix) to exercise other functions and powers specified in the Articles of Association and conferred by the Shareholders' general meeting.

Supervisors are entitled to attend the meetings of the Board.

President

Our Company has one president and several vice presidents, who shall be appointed and dismissed by the Board. Our president shall be accountable to the Board and exercise the following functions and powers:

(i) to be in charge of the manufacturing, operation and management of the Company, organize the implementation of the resolutions of the Board and report their work to the Board;

(ii) to organize the implementation of annual business plan and investment plan of the Company;

(iii) to draft plans for the internal organizational structure of the Company;

(iv) to draft the basic management system of the Company;

(v) to formulate specific rules and regulations for the Company;

(vi) to propose to the Board concerning the appointment or dismissal of our vice president and chief accountant;

(vii) to appoint or dismiss members of management other than those required to be appointed or dismissed by the Board according to relevant principles and procedures;

(viii) to exercise other functions and powers conferred by the Articles of Association or the Board.

Reserves

When distributing the after-tax profits of the current year, the Company shall allocate 10% of its profits into its statutory reserve.

When the cumulated amount of the statutory reserve of the Company reaches 50% or more of its registered capital, no further allocations is required.

If our statutory reserve of the Company is insufficient to offset our losses incurred during the previous years, the profits generated during the current year must be used to make up the losses before make allocation to the statutory reserve in accordance with the requirements set forth in the preceding paragraph.

After allocation to the statutory reserve from the after-tax profits of our Company, the Company may, subject to the resolution(s) adopted at the general Shareholders' meeting, also allocate to the discretionary reserves from after-tax profits.

After making up for the losses and making allocations to the reserve, any remaining profits shall be distributed to the shareholders in proportion to their respective shareholdings, except it is stipulated in the Articles of Association that profit distributions shall not be made in accordance with the shareholding proportion.

If the shareholders' general meeting has, in violation of the provisions of the preceding paragraphs, distributed profits to the shareholders before the Company has made up for its losses and made allocations to the statutory reserve, the shareholders must return the profits distributed in violation of the provision to the Company.

The reserve of the Company shall be used for making up its losses, increasing the scale of production and operation of the Company or converting into the capital of the Company to increase the amount thereof, provided that the capital reserve shall not be applied for making up the losses of the Company.

When converting the statutory reserve into capital, the amount retained in such reserve shall not be less than 25% of the registered capital before the said conversion.

Dispute Resolution

Unless otherwise provided by the Articles of Association, the Company shall comply with the following rules to resolve disputes:

(i) Whenever any disputes or claims arise between holders of the overseas-listed foreign shares and the Company, holders of the overseas-listed foreign shares and the Directors, Supervisors, the president or other members of senior management of the Company, or holders of the overseas-listed foreign shares and holders of domestic shares, based on the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law and any other relevant laws concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights is referred to arbitration, the entire claim or dispute shall be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration provided that such person is the Company or a Shareholder, Director, Supervisor, the president or other members of the senior management of the Company.

Disputes in relation to the definition of Shareholders and the share register may not be referred to arbitration.

(ii) A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre ("**HKIAC**") in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant.

If a claimant elects arbitration at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC.

(iii) If any disputes or claims of rights described in item (i) are subject to arbitration, the PRC laws shall apply, save as otherwise provided in laws and regulations.

(iv) The award of an arbitration body shall be final and conclusive and binding on all parties.

FURTHER INFORMATION ABOUT OUR GROUP

Incorporation of our Company

Our Company was established in the PRC as a joint stock company on December 29, 2010. Our registered address is at B 49 Xisihuan South Road, Fengtai District, Beijing, the PRC. Our principal place of business in Hong Kong is at 18th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong. We were registered as a non-Hong Kong company under Part XVI of the Companies Ordinance on March 23, 2015. Ms. Ng Wing Shan has been appointed as the authorized representative for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was established in the PRC, its corporate structure and the Articles of Association are subject to the relevant PRC laws and regulations. A summary of relevant PRC laws and regulations and a summary of certain provisions of our Articles of Association are set out in Appendix IV and Appendix V in this prospectus, respectively.

Subsidiaries

Details of our principal subsidiaries are set out in Note 1 "Subsidiaries" to the Accountant's Report, the text of which is set forth in Appendix I in this prospectus.

Changes in the registered share capital of our Company

On the date of our establishment, our registered share capital was RMB4,500 million, divided into 4,500,000,000 Domestic Shares, which was credited as fully paid and held by our promoters. Changes of our registered share capital since the date of our incorporation are as follow:

On December 6, 2013, the registered share capital of our Company was increased from RMB4,500 million to RMB7,000 million, which was fully paid by Shareholders on a pro rata basis.

Immediately following completion of the Global Offering, and assuming no exercise of the Over-allotment Option, our registered share capital will increase to RMB8,750,000,000, including 6,825,000,000 Domestic Shares and 1,925,000,000 H Shares paid or credited as fully paid, accounting for approximately 78.00% and 22.00% of our enlarged registered share capital, respectively.

Immediately following completion of the Global Offering, and assuming full exercise of Over-allotment Option, our registered share capital will increase to RMB9,012,500,000, including 6,798,750,000 Domestic Shares and 2,213,750,000 H Shares paid or credited as fully paid, accounting for approximately 75.44% and 24.56% of our enlarged registered share capital, respectively.

Save as disclosed above and in this prospectus, there has been no alteration in the registered share capital of our Company since its establishment.

Changes in the registered share capital of our subsidiaries

Save as disclosed below, there has been no alteration in the registered share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus:

(a) On July 9, 2015, the registered share capital of CRSC Signal & Communication was decreased from RMB60.00 million to approximately RMB21.40 million.

(b) On April 30, 2015, the registered share capital of CRSC Xi'an Industry was increased from RMB50.00 million to RMB900.00 million; on December 30, 2014, CRSC Xi'an Industry was established in the PRC with a registered share capital of RMB50.00 million.

(c) On April 17, 2015, the registered share capital of CRSC Beijing Industry was increased from RMB50.00 million to RMB1,400.00 million; on December 29, 2014, CRSC Beijing Industry was established in the PRC with a registered share capital of RMB50.00 million.

(d) On April 16, 2015, CRSC New Coastline Technology Co., Ltd. (通號新岸線科技有限公司) was established in the PRC with a registered share capital of RMB100.00 million.

(e) On April 15, 2015, the registered share capital of BNSC was increased from USD1.50 million to RMB20.00 million.

(f) On February 12, 2015, the registered share capital of CRSCE Beijing Integration was increased from RMB1.00 million to RMB5.00 million.

(g) On January 9, 2015, CRSC Vehicle was established in the PRC with a registered share capital of RMB342.00 million.

(h) On August 8, 2014, the registered share capital of CRSC WECC was increased from RMB0.10 million to RMB0.50 million; on August 1, 2013, CRSC WECC was established in the PRC with a registered share capital of RMB0.10 million.

(i) On December 30, 2014, the registered share capital of CRSCS was increased from approximately RMB236.22 million to approximately RMB338.10 million; on December 24, 2013, the registered share capital of CRSCS was increased from RMB150 million to RMB236.2181 million.

(j) On December 19, 2014, the registered share capital of CRSC Hunan Luqiao was increased from RMB50.00 million to RMB200.00 million; on April 30, 2014, CRSC Hunan Luqiao was established in the PRC with a registered share capital of RMB50.00 million.

(k) On December 16, 2014, the registered share capital of CRSCD was increased from RMB1,300.00 million to RMB1,332.49 million.

(l) On October 29, 2014, CRSC Inspection was established in the PRC with a registered share capital of RMB50.00 million.

(m) On October 11, 2014, the registered share capital of CRSCE Tianjin Electromechanical was increased from RMB1.00 million to RMB5.00 million.

(n) On September 15, 2014, the registered share capital of CRSCE Hunan Construction was increased from RMB53.46 million to RMB153.46 million.

(o) On September 12, 2014, the registered share capital of TRSC was increased from RMB180.00 million to RMB186.18 million.

(p) On September 10, 2014, the registered share capital of CRSCE Tianjin Information was increased from RMB5.00 million to RMB10.00 million; on July 16, 2013, the registered share capital of CRSCE Tianjin Information was increased from RMB1.00 million to RMB5.00 million.

(q) On August 18, 2014, the registered share capital of CRSC Zhengzhou Zhongan was increased from RMB50.00 million to RMB125.00 million.

(r) On July 29, 2014, the registered share capital of CRSC Cables was increased from RMB50.00 million to RMB347.50 million; On March 13, 2014, CRSC Cables was established in the PRC with a registered share capital of RMB50.00 million.

(s) On July 11, 2014, the registered share capital of CRSCIC was increased from approximately RMB218.37 million to approximately RMB232.75 million; on April 8, 2014, the registered share capital of CRSCIC was increased from RMB118.37 million to RMB218.37 million; on December 5, 2013, the registered share capital of CRSCIC was increased from RMB103.00 million to RMB118.37 million.

(t) On June 24, 2014, CRSC Henan was established with a registered share capital of RMB2.00 million.

(u) On June 12, 2014, the registered share capital of CRSCE Beijing Experiment was increased from RMB2.00 million to RMB10.00 million; on August 9, 2013, CRSC Beijing Experiment was established in the PRC with a registered share capital of RMB2.00 million.

(v) On May 4, 2014, the registered capital of CRSCE Tianjin Tongze was increased from RMB3.50 million to RMB5.00 million.

(w) On April 23, 2014, CRSC Guizhou Property was established in the PRC with a registered share capital of RMB50.00 million.

(x) On April 21, 2014, CRSC Zhengzhou Technology was established in the PRC with a registered share capital of RMB5.00 million.

(y) On April 17, 2014, CRSC Investment Tongren was established in the PRC with a registered share capital of RMB600.00 million.

(z) On April 9, 2014, the registered share capital of CRSC Beijing Consultant was increased from RMB15.00 million to RMB20.00 million.

(aa) On March 28, 2014, the registered share capital of CRSCIC Teleways was increased from approximately RMB2.90 million to approximately RMB52.90 million.

(bb) On March 17, 2014, CSRC Changsha Railway was established in the PRC with a registered share capital of RMB300.00 million.

(cc) On January 13, 2014, the registered capital of CRSC Investment Zhejiang was increased from RMB40.06 million to RMB100.06 million.

(dd) On December 31, 2013, CRSCM Shangmao was established in the PRC with a registered share capital of RMB20.00 million.

(ee) On December 31, 2013, CRSCM Logistic was established in the PRC with a registered share capital of RMB3.00 million.

(ff) On December 19, 2013, CRSCS Chengdu was established in the PRC with a registered share capital of RMB50.00 million.

(gg) On October 30, 2013, the registered share capital of CRSC (Beijing) Communication Technology Research Ltd. (通號(北京)通信技術研究有限公司), the predecessor of CRSCE Beijing Tongdahuize Materials and Trade Co., Ltd. (通號工程局集團北京通達匯澤物資貿易有限公司), was increased from RMB1.00 million to RMB10.00 million.

(hh) On August 19, 2013, the registered share capital of CRSCE was increased from approximately RMB101.46 million to approximately RMB201.46 million.

Shareholder Resolutions of the Company

On February 6, 2015, the Shareholders passed, among other things, the following resolutions at the first extraordinary general meetings of 2015:

(a) the issue of up to 2,333,333,300 H Shares by our Company, which is up to 25% of the total issued share capital (after the issue of H Shares), and subsequent listing of such H Shares on the Stock Exchange;

(b) the granting of the Over-allotment Option in respect of no more than 15% of the number of H Shares issued as set forth in paragraph (a);

(c) upon the approval of the relevant PRC regulatory authorities and the issuing of H Shares the state-owned Shareholders will transfer to the NSSF such number of Domestic Shares as in aggregate would be equivalent to 10% of the number of the Offer Shares (such number of Domestic Shares will be increased if the Over-allotment Option is exercised);

(d) subject to completion of the Global Offering, approving and adopting the Articles of Association, which shall only become effective from the Listing Date, and authorizing the Board which will re-delegate the authority to the chairman of the Board or otherwise authorized other person to amend the Articles of Association according to applicable laws and regulations as well as comments and requirements from relevant governmental authorities and regulatory authorities; and

(e) approving the Board and its authorized persons to handle all matters relating to, among other things, the issue and listing of H Shares listing of H Shares on the Stock Exchange.

Reorganization

For the purpose of overall reorganization, we underwent our Reorganization, details of which are set out in the section headed "Our History and Development" in this prospectus.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Our Material Contracts

The following contracts (excluding those entered into in the ordinary course of our business) have been entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus, which are or may be material:

(a) a capital increase and equity expansion agreement dated September 27, 2013 entered into among our Company, Zhao Zhengping and Wu Jiang, pursuant to which our Company agreed to acquire 70.0% of the equity interests in CRSC Wanquan by way of capital increase;

(b) an asset transfer agreement dated September 30, 2013 entered into between CRSC Shanghai and Shanghai North New Industrial District Development Co., Ltd. (上海市市北工業新區發展公司), pursuant to which, CRSC Shanghai agreed to acquire 1% of the equity interest in CRSCIC Teleways at a consideration of approximately RMB0.17 million;

(c) an equity transfer agreement dated October 17, 2013 entered into among CRSC Innovation Investment, Shi Rongchang and Chen Jianyong, pursuant to which Shi Rongchang and Chen Jianyong agreed to transfer 90.0% and 10.0% of the equity interests in CRSC Investment Zhejiang to our Company respectively, at a total consideration of approximately 15.50 million;

(d) a strategic cooperation agreement dated December 12, 2013 entered into between our Company and Guizhou Construction Engineering Group, pursuant to which our Company agreed to purchase 90% of the equity interests in CRSC Guizhou Construction, purchase 30% of the equity interests in the real estate company of Guizhou Construction Engineering Group, and cooperate with Guizhou Construction Engineering Group on engineering construction projects;

(e) a shareholders agreement dated July 10, 2014 entered into among our Company, Xiangtan Electric Manufacturing Group Co., Ltd. (湘電集團有限公司) and INEKON Group, a.s., pursuant to which our Company, Xiangtan Electric Manufacturing Group Co., Ltd. and INEKON Group, a.s. agreed to make investment in and jointly establish CRSC Vehicle with a registered share capital of RMB342 million, in which our Company, Xiangtan Electric Manufacturing Group and INEKON Group, a.s. holds 66.0%, 17.0% and 17.0%, respectively;

(f) a share transfer agreement dated July 29, 2014 entered into between CRSCE and Huang Hanliang, pursuant to which, CRSCE agreed to acquire 20.02% of the equity interests in CRSCE Hunan Construction at a consideration of approximately RMB10.08 million;

(g) a share transfer agreement dated July 29, 2014 entered into between CRSCE and Li Xiuling, pursuant to which, CRSCE agreed to acquire 79.98% of the equity interests in CRSCE Hunan Construction at a consideration of approximately RMB40.28 million;

(h) a capital increase and equity expansion agreement dated August 7, 2014 entered into between the Company and CRSC Zhengzhou Zhongan, pursuant to which our Company agreed to increase the capital of CRSC Zhengzhou Zhongan by contributing approximately RMB153.8 million to purchase 60.0% of the equity interests in CRSC Zhengzhou Zhongan;

(i) an amendment agreement to the joint venture agreement dated November 5, 2014 entered between our Company and Alstom (China) Investment Co., Ltd. (阿爾斯通(中國)投資有限公司), pursuant to which Alstom (China) Investment Co., Ltd. (阿爾斯通(中國)投資有限公司) agreed to transfer 1% of the equity interests held by it in CRSC CASCO to our Company;

(j) an asset transfer agreement dated November 21, 2014 entered into between CRSCD and Postal Savings Bank of China Beijing Branch, pursuant to which Postal Savings Bank of China Beijing Branch agreed to purchase certain properties owned by CRSCD at a consideration of RMB1,576 million;

(k) a capital increase and shareholding modification agreement dated December 1, 2014 entered into by CRSCIC, Eltek AS and Zenitel Norway AS, pursuant to which, CRSCIC, Eltek AS and Zenitel Norway AS agreed to increase the registered share capital of BNSC to RMB20.0 million and change the equity interests held by them to 70.87%, 15.63% and 13.50% respectively;

(l) an equity transfer agreement dated December 5, 2014 entered into between our Company and Alstom (China) Investment Co., Ltd. (阿爾斯通(中國)投資有限公司), pursuant to which Alstom (China) Investment Co., Ltd. (阿爾斯通(中國)投資有限公司) agreed to transfer 1% of the equity interests held by it in CRSC CASCO to our Company at a consideration of approximately RMB15.0 million;

(m) a capital increase and equity expansion agreement dated December 10, 2014 entered into among our Company, Guizhou Construction Engineering Group and CRSC Guizhou Construction, pursuant to which our Company agreed to acquire 79.65% of the equity interests in CRSC Guizhou Construction by way of capital increase at a consideration of approximately RMB398 million;

(n) an equity transfer agreement dated January 30, 2015 entered into between our Company and Guizhou Construction Engineering Group, pursuant to which Guizhou Construction Engineering Group agreed to transfer 10.35% of the equity interests in CRSC Guizhou Construction to our Company at a consideration of approximately RMB51.75 million;

(o) a confirmation letter dated March 14, 2015 entered into by our Company, Henan Zhongyuan and Zhengzhou Zhongyuan, pursuant to which our Company confirmed that, among other things, our Company will acquire 65% of the equity interests in Zhengzhou Zhongyuan by way of capital increase, and the Company will not have control over Zhengzhou Zhongyuan until completion of the capital increase;

(p) a capital contribution agreement dated May 16, 2015 entered into by our Company and Henan Zhongyuan, pursuant to which, our Company agreed to contribute RMB325.0 million to the registered share capital of Zhengzhou Zhongyuan to acquire 65% of the equity interests in Zhengzhou Zhongyuan;

(q) the Hong Kong Underwriting Agreement;

(r) the cornerstone investment agreement dated July 24, 2015 and entered into between the Company, Genertec Hong Kong International Capital Ltd., the Joint Global Coordinators and the Joint Sponsors, pursuant to which Genertec Hong Kong International Capital Ltd. has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US$80 million, rounded down to the nearest whole board lot of 1,000 H shares;

(s) the cornerstone investment agreement dated July 24, 2015 and entered into between the Company, CSR (Hong Kong) Co. Ltd., the Joint Global Coordinators and the Joint Sponsors, pursuant to which CSR (Hong Kong) Co. Ltd. has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US$30 million, rounded down to the nearest whole board lot of 1,000 H shares;

(t) the cornerstone investment agreement dated July 24, 2015 and entered into between the Company, China Railway Group Investment (Hong Kong) Limited, the Joint Global Coordinators and the Joint Sponsors, pursuant to which China Railway Group Investment (Hong Kong) Limited has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US$100 million, rounded down to the nearest whole board lot of 1,000 H shares;

(u) the cornerstone investment agreement dated July 24, 2015 and entered into between the Company, Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited, the Joint Global Coordinators and the Joint Sponsors, pursuant to which Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US$100 million, rounded down to the nearest whole board lot of 1,000 H shares;

(v) the cornerstone investment agreement dated July 24, 2015 and entered into between the Company, Beijing Infrastructure Investment (Hong Kong) Limited, the Joint Global

Coordinators and the Joint Sponsors, pursuant to which Beijing Infrastructure Investment (Hong Kong) Limited has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US$60 million, rounded down to the nearest whole board lot of 1,000 H shares;

(w) the cornerstone investment agreement dated July 24, 2015 and entered into between the Company, Guangdong Finance Investment International Co., Ltd, the Joint Global Coordinators and the Joint Sponsors, pursuant to which Guangdong Finance Investment International Co., Ltd has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US$100 million, rounded down to the nearest whole board lot of 1,000 H shares;

(x) the cornerstone investment agreement dated July 24, 2015 and entered into between the Company, Guangzhou Xinhua Urban Development Industry Investment Enterprise (Limited Partnership), the Joint Global Coordinators and the Joint Sponsors, pursuant to which Guangzhou Xinhua Urban Development Industry Investment Enterprise (Limited Partnership) has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US$50 million, rounded down to the nearest whole board lot of 1,000 H shares;

(y) the cornerstone investment agreement dated July 24, 2015 and entered into between the Company, Pingan-UOB Wealthtone Asset Management Company Limited, the Joint Global Coordinators and the Joint Sponsors, pursuant to which Pingan-UOB Wealthtone Asset Management Company Limited has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US$50 million, rounded down to the nearest whole board lot of 1,000 H shares;

(z) the cornerstone investment agreement dated July 24, 2015 and entered into between the Company, China Construction Investment Co., Ltd (Shanghai), the Joint Global Coordinators and the Joint Sponsors, pursuant to which China Construction Investment Co., Ltd (Shanghai) has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US$30 million, rounded down to the nearest whole board lot of 1,000 H shares;

(aa) the cornerstone investment agreement dated July 24, 2015 and entered into between the Company, China Shipping (Hong Kong) Holdings Co., Limited, the Joint Global Coordinators and the Joint Sponsors, pursuant to which China Shipping (Hong Kong) Holdings Co., Limited has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US$100 million, rounded down to the nearest whole board lot of 1,000 H shares;

(bb) the cornerstone investment agreement dated July 24, 2015 and entered into between the Company, Hengjian International Investment Holding (Hong Kong) Limited, the Joint Global Coordinators and the Joint Sponsors, pursuant to which Hengjian International Investment Holding (Hong Kong) Limited has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US$20 million, rounded down to the nearest whole board lot of 1,000 H shares;

(cc) the cornerstone investment agreement dated July 24, 2015 and entered into between the Company, Heywin Investments Limited, T.C.L. Industries Holdings (H.K.) Limited (as a guarantor), the Joint Global Coordinators and the Joint Sponsors, pursuant to which Heywin Investments Limited has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US$50 million, rounded down to the nearest whole board lot of 1,000 H shares;

(dd) the cornerstone investment agreement dated July 24, 2015 and entered into between the Company, Zhongchuan Investment & Development Co., Ltd, the Joint Global Coordinators and the Joint Sponsors, pursuant to which Zhongchuan Investment & Development Co., Ltd has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with HK$400 million (inclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Exchange trading fee of 0.005%), rounded down to the nearest whole board lot of 1,000 H shares;

(ee) the cornerstone investment agreement dated July 24, 2015 and entered into between the Company, China Life Insurance Company Limited, the Joint Global Coordinators and the Joint Sponsors, pursuant to which China Life Insurance Company Limited has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US$50 million, rounded down to the nearest whole board lot of 1,000 H shares;

(ff) the cornerstone investment agreement dated July 24, 2015 and entered into between the Company, China Merchants Bank Corporation Limited Asset Management, the Joint Global Coordinators and the Joint Sponsors, pursuant to which China Merchants Bank Corporation Limited Asset Management has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US$50 million, rounded down to the nearest whole board lot of 1,000 H shares; and

(gg) the cornerstone investment agreement dated July 24, 2015 and entered into between the Company, CMI Financial Holding Corporation, the Joint Global Coordinators and the Joint Sponsors, pursuant to which CMI Financial Holding Corporation has agreed to acquire at the Offer Price such number of Offer Shares that may be purchased with US$50 million, rounded down to the nearest whole board lot of 1,000 H Shares.

Intellectual Property Rights

As of the Latest Practicable Date, we have registered or applied to register the following intellectual property rights which we consider to be material to our business.

Trademarks

As of the Latest Practicable Date, our Company has registered the following trademarks which are material to our business:

No.	Trademark	Owner	Place of registration	Registration No.	Date of registration	Class	Expiration date
1.		TRSC	PRC	3137371	October 14, 2013	9	October 13, 2023
2.	津信	TRSC	PRC	7700503	May 7, 2011	9	May 6, 2021
3.		TRSC	PRC	3137372	November 14, 2013	12	November 13, 2023
4.	津信	TRSC	PRC	7696816	December 21, 2010	12	December 20, 2020
5.	津信	TRSC	PRC	7696774	December 21, 2010	7	December 20, 2020
6.	津信	TRSC	PRC	7696799	March 14, 2011	11	March 13, 2021
7.	津信	TRSC	PRC	7700504	June 21, 2011	6	June 20, 2021
8.		CRSC Xi'an	PRC	1229708	December 7, 2008	7	December 6, 2018

No.	Trademark	Owner	Place of registration	Registration No.	Date of registration	Class	Expiration date
9.		CRSC Xi'an	PRC	1255091	March 14, 1999	9	March 13, 2019
10.		Shanghai Railway Communication Factory (上海鐵路通信工廠)	PRC	1139421	December 28, 2007	9	December 27, 2017
11.		CRSC CASCO	PRC	6595263	June 28, 2010	9	June 27, 2020
12.		CRSC CASCO	PRC	8935188	January 14, 2012	42	January 13, 2022
13.		CRSC CASCO	PRC	8138348	April 7, 2011	9	April 6, 2021
14.		CRSC	PRC	5573074	December 7, 2009	37	December 6, 2019
15.		CRSC	PRC	5573075	December 7, 2009	37	December 6, 2019
16.		CRSC	PRC	5573076	December 7, 2009	37	December 6, 2016
17.		CRSC	PRC	5573077	March 7, 2011	42	March 6, 2021
18.		CRSC	PRC	5573079	August 7, 2009	9	August 6, 2019
19.		CRSC	PRC	5573080	August 7, 2009	9	August 6, 2019
20.		CRSC	PRC	5573081	November 28, 2009	9	November 27, 2019

No.	Trademark	Owner	Place of registration	Registration No.	Date of registration	Class	Expiration date
21.		CRSC	PRC	5573078	October 21, 2011	42	October 20, 2021
22.		CRSC	PRC	3286160	December 28, 2007	42	December 27, 2017
23.		CRSC Shenyang	PRC	3180078	July 7, 2013	9	July 6, 2023
24.		CRSCS Testing	PRC	11263738	June 7, 2014	9	June 6, 2024
25.		CRSCS Testing	PRC	11263761	December 21, 2013	9	December 20, 2023
26.		CRSCS Testing	PRC	5054484	February 21, 2010	42	February 20, 2020
27.		CRSC Jiaozuo Cable	PRC	1473946	November 14, 2010	9	November 13, 2020
28.		CRSC Jiaozuo Cable	PRC	6097892	February 14, 2010	9	February 13, 2020
29.		CRSC Jiaozuo Cable	PRC	6097893	February 14, 2010	9	February 13, 2020
30.		CRSC Tianshui Cable	PRC	1705966	January 28, 2012	9	December 27, 2022
31.		CRSC Tianshui Cable	PRC	1570155	May 14, 2011	9	May 13, 2021
32.		CRSC Tianshui Cable	PRC	3185107	July 7, 2013	9	July 6, 2023

Our Company has applied for the registration of the following trademarks, the registration of which has not yet been granted:

No.	Trademark	Applicant	Application place	Application No.	Application date	Class
1.		the Company	Hong Kong	303283434	January 27, 2015	9, 35, 37, 42
2.		the Company	Hong Kong	303283489	January 27, 2015	9, 35, 37, 42
3.		the Company	Hong Kong	303283498	January 27, 2015	9, 35, 37, 42
4.		the Company	Hong Kong	303283506	January 27, 2015	9, 35, 37, 42
5.		CRSC Shenyang	PRC	14254796	March 26, 2014	9
6.		CRSC Shenyang	PRC	14256056	March 26, 2014	9
7.		CRSC Shenyang	PRC	14254974	March 26, 2014	42
8.		CRSC Shenyang	PRC	14256109	March 26, 2014	42
9.		CRSC CASCO	PRC	14796078	July 17, 2014	9
10.		CRSC CASCO	PRC	14796204	July 17, 2014	9
11.		CRSC CASCO	PRC	14796212	July 17, 2014	9
12.		CRSC CASCO	PRC	14795992	July 17, 2014	9
13.		CRSC CASCO	PRC	14796123	July 17, 2014	9

No.	Trademark	Applicant	Application place	Application No.	Application date	Class
14.	CASCOSmarTram	CRSC CASCO	PRC	14796347	July 17, 2014	9
15.	CASCOiCMTC	CRSC CASCO	PRC	14796250	July 17, 2014	9

Patents

As of the Latest Practicable Date, our Group has registered the following patents which are material to our business:

No.	Patent name	Patent holder	Class of patents	Patent No.	Application date	Expiry date
1.	A residual substance detecting method and device (一種遺留物檢測方法及裝置)	CRSCIC	Invention	ZL 201110319533.2	Oct 19, 2011	Oct 18, 2031
2.	Video-based intrusion detecting method and device (基於視頻的入侵檢測方法及裝置)	CRSCIC	Invention	ZL 201110188166.7	Jul 6, 2011	Jul 5, 2031
3.	Method and system for high-speed railway train collecting data of ground sensors (高鐵動車對地面無線傳感器數據的採集方法及系統)	CRSCIC Shanghai Technologies; CAS Shanghai Microsystem & IT Institute (中國科學院上海微系統與信息技術研究所)	Invention	ZL 201110226269.8	Aug 8, 2011	Aug 7, 2031
4.	A rail switch locking mechanism (一種轉轍機鎖閉機構)	CRSC Signal & Communication	Utility model	ZL 201220610663.1	Nov 16, 2012	Nov 15, 2022
5.	A sleeper-based electro-hydraulic rail switch (一種軌枕式電液轉轍機)	CRSC Signal & Communication	Utility model	ZL 201220610418.0	Nov 16, 2012	Nov 15, 2022
6.	Monitoring system with intelligent power supply panel (智能電源屏監測系統)	TRSC	Utility model	ZL 201120373632.4	Sep 30, 2011	Sep 29, 2021

No.	Patent name	Patent holder	Class of patents	Patent No.	Application date	Expiry date
7.	Heating apparatus for melting snow at railway junctions (道岔融雪加熱裝置)	CRSC Xi'an	Utility model	ZL200820030349.X	Sep 22, 2008	Sep 21, 2018
8.	A temperature sensor for steel rails (一種鋼軌溫度傳感器)	CRSC Xi'an	Utility model	ZL201020238971.7	Jun 25, 2010	Jun 24, 2020
9.	A switch locking mechanism having adjustable friction damper (一種具有可調摩擦阻尼器的轉換鎖閉機構)	CRSC Xi'an	Utility model	ZL201320888702.9	Dec 31, 2013	Dec 30, 2023
10.	A self-piloting system for intercity high-speed train (一種用於城際高速列車的自動駕駛系統)	CRSC Shanghai	Utility model	ZL 201220047004.1	Feb 14, 2012	Feb 13, 2022
11.	A multi-functional testing platform for circuit board of ATC system (一種用於ATC系統電路板的多功能測試平台)	CRSC Shanghai	Utility model	ZL 201420495205.7	Aug 29, 2014	Aug 28, 2024
12.	Electromagnetic active wheel sensor (電磁式有源車輪傳感器)	CRCEF	Utility model	ZL200520035346.1	Sep 2, 2005	Sep 1, 2015
13.	An installation structure of maglev RS180 vehicle wheel (一種磁懸浮RS180型車輪傳感器安裝結構)	CRCEF	Utility model	ZL201120175233.7	May 30, 2011	May 29, 2021
14.	Ranging car for capacitor distribution points and track sections (電容布點及軌道區段測)	CRSCE	Utility model	ZL201320126967.5	Mar 20, 2013	Mar 19, 2023
15.	Distributed failure-warning unit of LED annunciator (LED信號機分散式故障報警單元)	CRSC Wanquan	Utility model	ZL200920189402.5	Sep 29, 2009	Sep 28, 2019
16.	Safety and protection device at grade crossing of railway and highway (鐵路與公路平交道口安全防護裝置)	CRSC Wanquan	Utility model	ZL201120470744.1	Nov 17, 2011	Nov 16, 2021

No.	Patent name	Patent holder	Class of patents	Patent No.	Application date	Expiry date
17.	Comprehensive integrated automation system of marshalling yard (編組站綜合集成自動化系統)	CRSCD	Invention	ZL 200410000035.1	Jan 5, 2004	Jan 4, 2024
18.	Computerized integrated control system for humping signals (駝峰信號計算機一體化控制系統)	CRSCD	Invention	ZL 200410000260.5	Jan 12, 2004	Jan 11, 2024
19.	A station locomotive regulating autopilot system (車站調機自動駕駛系統)	CRSCD	Invention	ZL 200710130180.5	Jul 24, 2007	Jul 23, 2027
20.	Method and device for detecting disconnection of train induction loop (列車感應環線斷線檢測方法及裝置)	CRSCD, Beijing Enterprises Holdings Maglev Technology Development Co., Ltd (北京控股磁懸浮技術發展有限公司)	Invention	ZL 200910130964.7	Apr 21, 2009	Apr 20, 2029
21.	An unicoil-based impulse track circuit collecting device (一種單線圈的脈衝軌道電路接收裝置)	CRSCD	Invention	ZL 200810111596.7	Jun 10, 2008	Jun 9, 2028
22.	A method, equipment and a system for monitoring railway equipment (對鐵路設備進行監測的方法、設備和系統)	CRSCD	Invention	ZL 201010245391.5	Aug 4, 2010	Aug 3, 2030
23.	Train operation control method, device, vehicle-mounted equipment and train control system (列車運行控制方法、裝置、車載設備及列控系統)	CRSCD	Invention	ZL 201010272925.3	Sep 3, 2010	Sep 2, 2030
24.	GSM.R network drive test and optimization analysis system (GSM.R 網絡路測與優化分析系統)	CRSCD	Invention	ZL 201010238566.X	Jul 23, 2010	Jul 22, 2030

No.	Patent name	Patent holder	Class of patents	Patent No.	Application date	Expiry date
25.	An online monitoring system for CTCS.3-grade train control system (一種CTCS.3 級列控系統的研在線監測系統)	CRSCD	Invention	ZL 201010580813.4	Dec 9, 2010	Dec 8, 2030
26.	A temporary speed-restricting command sending method and device of a C3 system (C3 系統臨時限速命令發送方法和裝置)	CRSCD	Invention	ZL 201110125309.X	May 16, 2011	May 15, 2031
27.	Vehicle-mounted equipment for CTCS.3-grade train control (CTCS.3 級列控車載設備)	CRC, CRSCD	Invention	ZL 201110125522.0	May 16, 2011	May 15, 2031
28.	A CTCS.3-based failure-reoccurring method and system (一種CTCS.3 的故障再現方法及系統)	CRSCD	Invention	ZL 201010272923.4	Sep 3, 2010	Sep 2, 2030
29.	CTCS.3-grade train control center system (CTCS.3 級列控中心系統)	CRC, CRSCD	Invention	ZL 201110124939.5	May 16, 2011	May 15, 2031
30.	CTCS.2-grade train operating control system (CTCS.2 級列車運行控制系統)	CRC, CRSCD	Invention	ZL 201110124936.1	May 16, 2011	May 15, 2031
31.	Signal safety data network system and network management control system (信號安全數據網系統和網管系統)	CRSCD	Invention	ZL 201110125306.6	May 16, 2011	May 15, 2031
32.	CTCS.3-grade wireless radio block center equipment and system (CTCS-3 級無線閉塞中心設備及系統)	CRC, CRSCD	Invention	ZL 201110124941.2	May 16, 2011	May 15, 2031

No.	Patent name	Patent holder	Class of patents	Patent No.	Application date	Expiry date
33.	Balise messaging method, equipment and system (應答器報文發送方法、設備和系統)	CRSCD	Invention	ZL 201110124940.8	May 16, 2011	May 15, 2031
34.	SMD components split pad (貼片元件分割式焊盤)	CRSC Shenyang	Invention	ZL 200910010408.6	Feb 20, 2009	Feb 19, 2029
35.	Balise push-pull oscillating circuit (應答器推挽振盪電路)	CRSC Shenyang	Invention	ZL 200810012797.1	Aug 15, 2008	Aug 14, 2028
36.	Surge protector with a test pin (帶有測試針的浪涌保護器)	CRSC Shenyang	Invention	ZL 200810229302.0	Dec 5, 2008	Dec 4, 2028
37.	A multi-mode access gateway and access method applicable to TD-LTE broadband communication system of high-speed railway (一種適用於高速鐵路TD-LTE寬帶通信系統的多模接入網關及接入方法)	CAS Software Institute, CRSC	Invention	ZL 201210556559.3	Dec 20, 2012	Dec 19, 2032
38.	A method and device for pairing triodes (一種三極管配對方法和裝置)	BRSC	Invention	ZL 200910243527.6	Dec 25, 2009	Dec 24, 2029
39.	A welding fixture for printed circuit board (一種用於印刷電路板的焊接工裝)	BRSC	Utility model	ZL 201320780412.2	Dec 2, 2013	Dec 1, 2023
40.	Cold packaging technique for cables (電纜冷封包工藝)	CRSCS	Invention	ZL 200810036129.2	Apr 16, 2008	Apr 15, 2028
41.	Time integrated test system and method (時間綜合測試系統及方法)	CRSCS	Invention	ZL 200910198105.1	Nov 2, 2009	Nov 1, 2029

No.	Patent name	Patent holder	Class of patents	Patent No.	Application date	Expiry date
42.	GSM-R wireless radio communication network service quality test system and method (GSM-R無線通信網絡服務質量測試系統及方法)	CRSCS, CRSCS Testing	Invention	ZL 200810037802.4	May 21, 2008	May 20, 2028
43.	GSM-R emergency system and method (GSM-R應急系統及方法)	CRSCS	Invention	ZL 201210244016.8	Jul 13, 2012	Jul 12, 2032
44.	A run-through earth cable capable of remote monitoring and break-line alarm (一種遠程監控斷線報警貫通地線)	CRSC Jiaozuo Cable	Utility model	ZL 201220385635.4	Aug 6, 2012	Aug 5, 2022
45.	A wide-frequency leaky coaxial cable without resonance points within the range of usage (一種寬頻率、使用範圍內無諧振點的漏泄同軸電纜)	CRSC Jiaozuo Cable	Utility model	ZL 201320763558.6	Nov 28, 2013	Nov 27, 2023
46.	Al-sheathed cable manufacturing process (鋁護套電纜的生產工藝)	CRSC Tianshui Cable	Invention	ZL 200810111377.9	Sep 25, 2008	Sep 24, 2028
47.	Method for realizing dynamic tracking of train position in urban transit signal system (城市軌道交通信號系統中對列車位置實現動態跟蹤的方法)	CRSC CASCO	Invention	ZL 200810200487.2	Sep 25, 2008	Sep 24, 2028
48.	Pre-warning and control method for change in trend of electrical specification of signal equipment (信號設備電氣特性趨勢變化預警控制方法)	CRSC CASCO	Invention	ZL 200910049335.1	Apr 15, 2009	Apr 14, 2029
49.	A high-speed train route automatic scheduling method (高速列車自動排路方法及控制裝置)	CRSC CASCO, the Transport Bureau of MOR	Invention	ZL 201110029768.8	Jan 27, 2011	Jan 26, 2031

No.	Patent name	Patent holder	Class of patents	Patent No.	Application date	Expiry date
50.	A context-aware method for distribution of IP dispatch group call right (一種基於上下文感知的IP調度組呼話權分配方法)	CRSCIC Shanghai Technologies	Invention	ZL 201210431455.X	Nov 1, 2012	Oct 31, 2032
51.	Electrodynamic locomotive position switcher (電動式機車位置轉換開關)	CRSC Xi'an	Utility model	ZL 201420427619.6	Aug 2, 2014	Aug 1, 2024
52.	A detection system and a detection method for a high-speed railway automatic splitting phase self-reset train position (高速鐵路自動過分相自複位列車位置檢測系統及檢測方法)	CRCEF	Invention	ZL 201310016859.7	Jan 17, 2013	Jan 16, 2033
53.	A target-distribution control terminal system applicable to CTCS train control system (一種運用於CTCS列控系統的目標分散控制終端系統)	CRSCD	Invention	ZL 201210339845.4	Sep 13, 2012	Sep 12, 2032
54.	A method and system for train positioning and velocity measurement (一種列車定位與測速方法及系統)	CRSCD	Invention	ZL 201210499610.1	Nov 29, 2012	Nov 28, 2032
55.	A mixed signal transmitter with impulse frequency-shift (一種脈衝移頻混合信號發送器)	CRSCD	Invention	ZL 201310015487.6	Jan 16, 2013	Jan 15, 2033
56.	Railway junction conversion equipment and its hook-shaped external locking device (鐵路道岔轉換設備及其道岔鉤型外鎖閉裝置)	CRSCD, CRC	Utility model	ZL 201520022051.4	Jan 13, 2015	Jan 12, 2025

No.	Patent name	Patent holder	Class of patents	Patent No.	Application date	Expiry date
57.	A method and system for rewriting balise messages (一種應答器報文改寫方法及裝置)	BRSC	Invention	ZL 201210414872.3	Oct 29, 2012	Oct 28, 2032
58.	A vehicle retarder with dismountable steel rail bearing (一種鋼軌承座可拆卸的車輛減速器)	TRSC	Utility model	ZL201420580823.1	Oct 9, 2014	Oct 8, 2024
59.	An electric locking method for sliding doors (一種滑動門電子鎖閉方法)	CRSC Xi'an	Utility model	ZL201420428479.4	Aug 1, 2014	Jul 31, 2024
60.	Active balise with a collecting function (具有採集功能的有源應答器)	CRSC Shenyang	Utility model	ZL2014272123.1	Feb 20, 2014	Feb 19,2024
61.	A current surge-proof active responder (一種防電流衝擊的移頻發送器)	CRSC Shenyang	Utility model	ZL201420511830.6	Sep 5, 2014	Sep 4, 2024
62.	A buffer circuit for safe input, and track circuit receiver having such buffer circuit (一種安全輸入隔離電路及具有該電路的軌道電路接收器)	BRSC	Utility model	ZL201220551878.0	Oct 26, 2012	Oct 25, 2022
63.	A real-time online monitoring system and method for resistance of ground wires (地線電阻實時在線測量系統及監測系統)	CRSCS	Utility model	ZL201320112592.7	Mar 12, 2013	Mar 11, 2023
64.	Automated ultra limit-alarming method for signal equipment having high precision rate (高準確率的信號設備超限自動報警方法)	CRSC CASCO	Invention	ZL201210477198.3	Nov 21, 2012	Nov 20, 2032
65.	A detection system and method for straddle-type light-rail movable junction line section (跨座式輕軌可動渡線軌道區段檢測系統及檢測方法)	CRCEF	Invention	201310023709.9	Jan 23, 2013	Jan 22, 2033

As of the Latest Practicable Date, our Group has applied for the registration of the following patents which are material to our business, the registration of which has not yet been granted:

No.	Patent name	Applicant	Patent class	Application No.	Application date
1.	Video object tracking method and system (視頻圖像目標跟蹤處理方法和系統)	CRSCIC	Invention	201210194922.1	Jun 13, 2012
2.	Pan-tilt control method and system based on motion recognition technology (基於動作識別技術的雲台控制方法及系統)	CRSCIC	Invention	201210278976.6	Aug 7, 2012
3.	Medical image control method and system based on motion recognition (基於動作識別的醫學影控制方法及系統)	CRSCIC	Invention	201310418504.0	Sep 13, 2013
4.	Method and system for detecting abnormality of IOT equipment (物聯網中設備異常狀態檢測的方法及系統)	CRSCIC	Invention	201410305059.1	Jun 30, 2014
5.	Device and method for monitoring side slope safety and protection (邊坡安全防護監測裝置及監測方法)	CRSCIC	Invention	201410737166.1	Dec 5, 2014
6.	Device and method for monitoring water level (水位監測預警裝置和方法)	CRSCIC	Invention	201410771118.4	Dec 12, 2014
7.	A device for measuring the length of tracks applicable to a marshalling station (一種用於編組站的軌道長度測量設備)	CRSCIC Shanghai Technologies	Invention	201210009139.3	Jan 12, 2012
8.	An adaptive-code modulating method based on movement speed and location data (基於移動速度和位置信息的自適應編碼調製方法)	CRSCIC Shanghai Technologies, CAS Shanghai Microsystem & IT Institute	Invention	201110226362.9	Aug 9, 2011

No.	Patent name	Applicant	Patent class	Application No.	Application date
9.	Subway train collision warning system and method (地鐵列車防撞預警系統及方法)	CRSCIC Shanghai Technologies	Invention	201210126646.5	Apr 26, 2012
10.	A sleeper-based electro-hydraulic switch machine (一種軌枕式電液轉轍機)	CRSC Signal & Communication	Invention	201210466761.7	Nov 16, 2012
11.	An electric heating method for melting snow at rail junction (鐵路道岔電加熱融雪方法)	CRSC Signal & Communication	Invention	201310722589.1	Dec 24, 2013
12.	A detector for external locking device (一種外鎖閉裝置探測儀)	CRSC Signal & Communication	Invention	201410166676.8	Apr 23, 2014
13.	A drilling device and process for electric switch machine rack blocks (電動轉轍機齒條塊鑽孔裝置及工藝)	CRSC Xi'an	Invention	201210504931.6	Nov 30, 2012
14.	Multiband WIFI parallel transmission scheme based on waveguide tube transmission medium (基於波導管傳輸媒質的多頻段WIFI並行傳輸方案)	CRSCD	Invention	201310036597.0	Jan 30, 2013
15.	An automated test method and system for ATC vehicle-mounted equipment (ATC車載設備自動測試方法及系統)	CRSCD	Invention	2013104882844.9	Oct 17, 2013
16.	A method and system for automated message calibration of active balise for high-speed railways (一種高速鐵路有源應答器報文自動校驗方法及系統)	CRSCD	Invention	201310134185.0	Apr 17, 2013
17.	A test method and system for railway signal software (鐵路信號軟件測試的方法及系統)	CRSCD	Invention	201410542389.2	Oct 14, 2014

No.	Patent name	Applicant	Patent class	Application No.	Application date
18.	A method and device for processing gradients in the automated operation system for a train (一種列車自動運行系統坡度處理方法及裝置)	CRSCD	Invention	201410164561.5	Apr 23, 2014
19.	A method and system for monitoring the railway signal system (一種鐵路信號系統監測方法及系統)	CRSCD	Invention	201410064491.6	Feb 25, 2014
20.	A communication method and trackside equipment applicable to rail transit (一種用於軌道交通領域的通信方法及軌旁設備)	CRSCD	Invention	201410169840.0	Apr 25, 2014
21.	A channel estimation method for high-speed mobile environment (一種高速移動環境下的信道估計方法)	CRSC	Invention	201310156731.0	Apr 28, 2013
22.	Distributed-memory centralized control system applicable to rail transit vehicle (適用於軌道交通車輛的分布式存儲集中控制系統)	CRSC Shanghai	Invention	201310386103.1	Aug 29, 2013
23.	A code-sending system for track circuit (一種軌道電路發碼系統)	BRSC	Invention	201310637341.5	Dec 4, 2013
24.	A computerized interlocking system having centralized control function (一種具有集中控制功能的計算機聯鎖系統)	CRSC CASCO	Invention	201210275778.4	Aug 3, 2012
25.	A safety and anti-collision system for level crossings of rail transportation, and its application (一種軌道交通平交路口安全防撞系統及應用)	CRSC CASCO	Invention	201410112263.1	Mar 25, 2014

No.	Patent name	Applicant	Patent class	Application No.	Application date
26.	Active interval protection method and device applicable to train operation control system (用於列車運行控制系統的列車主動間隔防護方法及裝置)	CRSC CASCO	Invention	201410325270.X	Jul 9, 2014
27.	An intelligent signal system for modern tram (一種智能化有軌電車信號系統)	CRSC CASCO	Invention	201410562453.3	Oct 21, 2014
28.	An intelligent fault-diagnosis method applicable to rail transportation equipment (一種用於軌道交通設備的智能故障診斷方法)	CRSC CASCO	Invention	201110060816.X	Mar 14, 2011
29.	Mobile platform-based railway dispatching and commanding system information sharing method and device (基於移動平台的鐵路調度系統信息的共享方法及裝置)	CRSC CASCO	Invention	201410693025.4	Nov 26, 2014

Copyrights

As of the Latest Practicable Date, our Group has registered the following computer software copyrights which are material to our business:

No.	Name of copyright	Name of owner	Copyright certificate No.	Registration No.	Registration date
1.	GTHC video storage and distribution service software V2.0 (GTHC視頻存儲分發服務軟件V2.0)	CRSCIC	RZDZ No. BJ10838	2009SRBJ0532	Jan 23, 2009
2.	GTHC railway disaster-preventive security monitoring system software V1.0 (GTHC鐵路防災安全監控系統軟件V1.0)	CRSCIC	RZDZ No. BJ29813	2010SRBJ4430	Sep 30, 2010
3.	GTHC communication synthesized network management system [GTHC-RINMS] V1.0 (GTHC通信綜合網絡管理系統[GTHC-RINMS] V1.0)	CRSCIC	RZDZ No. BJ34608	2011SRBJ2487	Jun 23, 2011

No.	Name of copyright	Name of owner	Copyright certificate No.	Registration No.	Registration date
4.	GTHC emergency communication system [GTHC-ECS] V1.0 (GTHC應急通信系統[GTHC-ECS] V1.0)	CRSCIC	RZDZ No. BJ34607	2011SRBJ2486	Jun 23, 2011
5.	GTHC client service software [HC-PS] V1.0 (GTHC客服系統軟件[HC-PS]V1.0)	CRSCIC	RZDZ No. 0315415	2011SR051741	Jul 26, 2011
6.	GTHC railway synthesized video monitoring network management system software V1.0 (GTHC鐵路綜合視頻監控網管系統軟件 V1.0)	CRSCIC	RZDZ No. BJ38751	2013SRBJ0079	Mar 25, 2013
7.	Centralized power & environment monitoring system software V2.0 (動力與環境集中監控系統軟件 V2.0)	CRSCIC	RZDZ No. BJ38785	2013SRBJ0157	Mar 26, 2013
8.	GTHC subgrade settlement monitoring system software V1.0 (GTHC路基沉降監測系統軟件 V1.0)	CRSCIC	RZDZ No. BJ38854	2013SRBJ0127	Mar 25, 2013
9.	GTHC IOT equipment operation status pre-warning software (GTHC物聯設備運行狀態預警軟件)	CRSCIC	RZDZ No. 0510234	2013SR004472	Jan 15, 2013
10.	GTHC IOT equipment health analysis software (GTHC物聯設備健康度分析軟件)	CRSCIC	RZDZ No. 0510249	2013SR004487	Jan 15, 2013
11.	Guotie Huachen vehicle-mounted Beidou GPS navigation terminal software (國鐵華晨車載北斗/ GPS導航終端軟件)	CRSCIC	RZDZ No. 0516388	2013SR010626	Feb 1, 2013
12.	GTHC synthesized logistics management platform software V1.0 (GTHC綜合物流管理平台軟件 V1.0)	CRSCIC	RZDZ No. 0517410	2013SR011648	Feb 5, 2013

No.	Name of copyright	Name of owner	Copyright certificate No.	Registration No.	Registration date
13.	Digitalized interactive surgical assistant system software V1.0 (數字化交互式手術輔助系統軟件 V1.0)	CRSCIC	RZDZ No. 0665342	2013SR159580	Dec 27, 2013
14.	GTHC human face identification system software (GTHC人臉識別系統軟件)	CRSCIC	RZDZ No. 0665736	2013SR159974	Dec 27, 2013
15.	Railway communication tower monitoring unit software V1.0 (鐵路通信鐵塔監測單元軟件 V1.0)	CRSCIC	RZDZ No. 0780656	2014SR111412	Aug 4, 2014
16.	Mobile collaborative medical platform software (移動協同醫療平台軟件)	CRSCIC	RZDZ No. 0793567	2014SR124324	Aug 20, 2014
17.	Synthesized dispatching communication system (綜合調度通信息系統)	CRSCIC	RZDZ No. 0792648	2014SR150409	Oct 11, 2014
18.	FZt-CTC decentralized self-discipline dispatching centralization software V1.0 (FZt-CTC分散自律調度集中軟件 V1.0)	CRSCD	RZDZ No. BJ3607	2005SRBJ1909	Dec 19, 2005
19.	DS6-11 computer interlocking software V2.0 (DS6-11計算機聯鎖軟件 V2.0)	CRSCD	RZDZ No. BJ3612	2005SRBJ1914	Dec 14, 2006
20.	TYWK humping signal computerized integrated control software V1.0 (TYWK型駝峰信號計算機一體化控制軟件 V1.0)	CRSCD	RZDZ No. BJ3620	2005SRBJ1922	Mar 24, 2006
21.	Marshalling yard synthesized management software V1.0 (編組站綜合管理軟件 V1.0)	CRSCD	RZDZ No. BJ3624	2005SRBJ1926	Sep 14, 2007
22.	TDCS-t train dispatching & commanding software V1.0 (TDCS-t列車調度指揮軟件 V1.0)	CRSCD	RZDZ No. BJ4273	2006SRBJ0465	Jul 18, 2008

No.	Name of copyright	Name of owner	Copyright certificate No.	Registration No.	Registration date
23.	Quanlutong partition system V1.0 for train tract calculation and block section (全路通列車牽引計算與閉塞分區劃分系統 V1.0)	CRSCD	RZDZ No. BJ8463	2007SRBJ1491	Dec 13, 2008
24.	Quanlutong ZPW-2000A monitoring auxiliary maintenance software V1.0 (全路通ZPW-2000A監測輔助維護軟件 V1.0)	CRSCD	RZDZ No. BJ9142	2007SRBJ2170	Dec 16, 2009
25.	Vehicle-mounted software V1.0 for intelligent automatic train operation (ATO) (智能型列車自動運行系統(ATO)車載軟件 V1.0)	CRSCD	RZDZ No. BJ16832	2008SRBJ6526	Jul 6, 2010
26.	Quanlutong GSM-R network road test & optimization analysis system software V1.0 (全路通GSM-R網絡路測與優化分析系統軟件 V1.0)	CRSCD	RZDZ No. BJ24690	2009SRBJ7684	Nov 28, 2012
27.	Quanlutong DS6-60 zone-control system software V1.0 (全路通DS6-60型區控系統軟件 V1.0)	CRSCD	RZDZ No. 0372122	2012SR004086	Aug 20, 2013
28.	GSM-R network interface monitoring system software V1.0 (GSM-R網絡接口監測系統軟件 V1.0)	CRSCD	RZDZ No. 0483359	2012SR115323	Nov 21, 2013
29.	Quanlutong CSM-TH centralized signal monitoring system software V1.0 (全路通CSM-TH型信號集中監測系統軟件 V1.0)	CRSCD	RZDZ No. 0593164	2013SR087402	Dec 10, 2014
30.	Automatic train supervision (ATS) system V2.0 (列車自動監控(ATS)系統 V2.0)	CRSCD	RZDZ No. 0865397	2014SR196164	Dec 10, 2014
31.	CTCS3-300T vehicle-mounted mainframe software V2.0 for train control (CTCS3-300T型列控研車載DMI軟件 V2.0)	CRSCD	RZDZ No. 0867931	2014SR198698	Dec 11, 2014

No.	Name of copyright	Name of owner	Copyright certificate No.	Registration No.	Registration date
32.	Quanlutong 200Tc vehicle-mounted C2 mainframe software V1.0 (全路通200Tc車載C2主機軟件 V1.0)	CRSCD	RZDZ No. 0868568	2014SR199335	Dec 11, 2014
33.	Quanlutong monitoring & maintenance system V1.0 for train control center (全路通列控中心監測維護系統 V1.0)	CRSCD	RZDZ No. 0860485	2014SR191249	Dec 16, 2014
34.	Quanlutong LKX-T server software V3.0 for temporary speed restriction (全路通LKX-T型臨時限速服務器軟件 V3.0)	CRSCD	RZDZ No. 0861468	2014SR192233	Dec 9, 2014
35.	CTCS3-300T vehicle-mounted mainframe software V3.3 for train control (CTCS3-300T列控車載主機軟件 V3.3)	CRSCD	RZDZ No. 0862524	2014SR193290	Dec 10, 2014
36.	Quanlutong RDM-TH disaster monitoring system software V1.0 (全路通RDM-TH型災害監測系統軟件 V1.0)	CRSCD	RZDZ No. 0862528	2014SR193294	Dec 11, 2014
37.	JZ.GD-1 microcomputer-controlled axle counting equipment software V20 applicable to urban rail transit (JZ.GD-1微機計軸設備城軌應用軟件 V20)	CRCEF	RZDZ No. 0337900	2011SR07422.6	Feb 19, 2013
38.	JZ.GD-1 microcomputer-controlled axle counting equipment software V2.3 applicable to in-station track detection (JZ.GD-1微機計軸設備站內軌道檢測應用軟件 V2.3)	CRCEF	RZDZ No. 0335151	2011SR071477	Feb 19, 2013

No.	Name of copyright	Name of owner	Copyright certificate No.	Registration No.	Registration date
39.	JZ1-H microcomputer-controlled axle counting software V21 applicable to automatic blocking section of single line (JZ1-H微機計軸單線自動閉塞區段應用軟件 V21)	CRCEF	RZDZ No. 0333827	2011SR070153	Nov 20, 2014
40.	CASCO FZk-CTC software V1.0 for centralization of decentralized self-discipline dispatching (卡斯柯FZk-CTC型分散自律調度集中軟件 V1.0)	CRSC CASCO	RZDZ No. 059153	2006SR11487	Aug 24, 2006
41.	CASCO synthesized railway-signal monitoring software V1.0 (卡斯柯鐵路信號綜合監控軟件 V1.0)	CRSC CASCO	RZDZ No. 060715	2006SR13049	Sep 21, 2006
42.	CASCO train dispatching & commanding software V1.0 (卡斯柯列車調度指揮軟件 V1.0)	CRSC CASCO	RZDZ No. 060714	2006SR13048	Sep 21, 2006
43.	CASCO intelligent automatic train monitoring software V1.0 (卡斯柯智能自動列車監控軟件 V1.0)	CRSC CASCO	RZDZ No. 091764	2008SR04585	Feb 29, 2008
44.	CASCO iLOCK computer interlocking software V1.0 (卡斯柯iLOCK計算機聯鎖軟件 V1.0)	CRSC CASCO	RZDZ No. 101552	2008SR14373	July 23, 2008
45.	CASCO FZk-CTC software V2.0 for centralization of decentralized self-discipline dispatching (卡斯柯FZk-CTC型分散自律調度集中軟件 V2.0)	CRSC CASCO	RZDZ No. 0224028	2010SR035755	Jul 20, 2010
46.	CASCO intelligent analytic software V1.0 for rail transportation signal (卡斯柯軌道交通信號智能分析軟件 V1.0)	CRSC CASCO	RZDZ No. 0277002	2011SR013328	Mar 17, 2011

No.	Name of copyright	Name of owner	Copyright certificate No.	Registration No.	Registration date
47.	CASCO maintenance-supporting software V1.0 for key equipment for rail transit safety (卡斯柯軌交安全關鍵設備維護支持軟件 V1.0)	CRSC CASCO	RZDZ No. 0278147	2011SR014473	Mar 22, 2011
48.	CASCO maintenance-supporting software V1.0 for subway signal (卡斯柯地鐵信號維護支持軟件 V1.0)	CRSC CASCO	RZDZ No. 0276392	2011SR012718	Mar 16, 2011
49.	CASCO dynamic tracking software V1.0 for subway signal and train position (卡斯柯地鐵信號列車位置動態跟蹤軟件 V1.0)	CRSC CASCO	RZDZ No. 0276381	2011SR012707	Mar 16, 2011
50.	CASCO diagnosis & maintenance software V1.0 for trackside security platform (卡斯柯軌旁安全平台診斷維護軟件 V1.0)	CRSC CASCO	RZDZ No. 0512521	2013SR006759	Jan 22, 2013

Domain names

As of the Latest Practicable Date, our Group has registered the following principal domain names:

No.	Domain name	Registrant	Registration date	Expiration date
1	crsc.cn	CRSC Corporation Group[(1)]	May 27, 2004	June 27, 2017
2	crsc.com.cn	CRSC Corporation Group[(1)]	May 23, 1999	June 24, 2017

(1) On July 19, 2015, our Company entered into Domain Name Usage Licensing Agreement with CRSC Corporation Group, according to which CRSC Corporation Group agreed to grant us to use relevant domain names in free. For details, please refer to the section headed "Connected Transactions" in this prospectus.

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

Disclosure of Interests

Disclosure of interests and short positions of the Directors, Supervisors and chief executives of our Company in the issued shares of our Company and its associated corporations

Immediately following completion of the Global Offering and assuming no exercise of the Over-allotment Option, none of our Directors, Supervisors and chief executives of our Company has any interest and/or short position in the shares, underlying shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our 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 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 X to the Listing Rules to be notified to our Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors and chief executives).

Interests and short positions of the substantial shareholders in the Shares and underlying Shares

Interests in our Company

Save as disclosed in the section headed "Substantial Shareholder" in this prospectus, our Directors are not aware of any other person, not being a Director, Supervisor, or chief executive of our Company, who has an interest or short position in the Shares or underlying Shares which, immediately following completion of the Global Offering, would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

Interests in other members of our Company

So far as the Directors are aware, as at the date of this prospectus, the following persons (other than our Company) are interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of shareholders of other members of our Group	Name of other members of our Group	Registered share capital interested[(1)]	Approximate % of shareholding
Wu Jiang (吳江)	CRSC Wanquan	RMB10.12 million	12.0%
Zhao Zhengping (趙正平)	CRSC Wanquan	RMB15.18 million	18.0%
Wei Zhongan (魏中安)	CRSC Zhengzhou Zhongan	RMB50.00 million	40.0%
Shanghai Wangshi Industrial Co., Ltd. (上海王獅實業有限公司)	CRSCS International	RMB12.50 million	25.0%
Shanghai Suwei Communication Technology Co., Ltd. (上海蘇威通信科技有限公司)	CRSCS International	RMB5.00 million	10.0%
Shanghai Suwei Communication Technology Co., Ltd. (上海蘇威通信科技有限公司)	CRSCS Testing	RMB1.75 million	17.5%
Jiangxi Huide Xinda Industrial Co., Ltd. (江西省匯德信達實業有限公司)	CRSCS Testing	RMB1.75 million	17.5%
Shanghai Wangcheng Communication Science and Technology Development Co., Ltd. (上海網程通信科技發展有限公司)	CR Shanghai Communication Signal Designing Co., Ltd. (上海中鐵通信信號設計有限公司)	RMB0.29 million	29.0%
ALSTOM IC	CRSC CASCO	RMB98.00 million	49.0%
Zenitel Norway AS (挪威贊尼特公司)	BNSC	RMB2.71 million	13.5%
Eltek AS (挪威易達有限公司)	BNSC	RMB3.14 million	15.6%
Guizhou Construction Engineering Group (貴州建工集團有限公司)	CRSC Guizhou Construction	RMB50.00 million	10.0%

Name of shareholders of other members of our Group	Name of other members of our Group	Registered share capital interested[1]	Approximate % of shareholding
Zhengzhou Railway Coal Transportation and Marketing Co., Ltd. (鄭州鐵路煤炭運銷有限公司)	CRSCM Henan	RMB0.80 million	40.0%
Xiangtan Electric Manufacturing Group Co., Ltd.(湘電集團有限公司)	CRSC Vehicle	RMB58.14 million	17.0%
INEKON GROUP, a.s.	CRSC Vehicle	RMB58.14 million	17.0%

Note:

(1) Registered share capital represents the registered share capital that is contributed by relevant shareholders.

Directors' and Supervisors' Service Contracts

Each of the Directors entered into a service contract with our Company in July 2015. The principal particulars of these service contracts comprise, among other things, (a) the term of office commencing from the date when their respective appointments are approved by the Shareholders, and (b) termination provisions in accordance with their respective terms.

Each of the Supervisors entered into a contract with our Company in respect of (among other things) of compliance with the relevant laws, regulations, the Articles of Association and relevant provisions applicable to arbitrations in July 2015.

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

Remuneration of Directors and Supervisors

The aggregate amounts of compensation (including fees, salaries, pension-defined contribution, discretionary bonuses, housing allowances and other allowances and benefits in kind) paid to the Directors and Supervisors during the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015 were approximately RMB4.48 million, RMB5.28 million, RMB4.94 million and RMB0.84 million, respectively, including the aggregate amounts of pension-defined contribution for our Directors and Supervisors for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015 of approximately RMB0.26 million, RMB0.39 million, RMB0.47 million and RMB0.11 million, respectively.

Save as disclosed in this prospectus, no other payments have been paid or are payable by any member of our Group to the Directors and Supervisors for the three years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015.

Under arrangements in force at the date of this prospectus, the aggregate remuneration payable to the Directors and Supervisors for the year ending December 31, 2015 are estimated to be approximately RMB1.72 million. The payments paid or are payable by us to Directors and Supervisors may be adjusted in accordance with the remuneration policies of relevant regulatory authorities.

Directors' Competitive Interests

Save as disclosed in the sections headed "Directors, Supervisors and Senior Management" and "Relationship with Our Controlling Shareholder — Competing Interests of Directors" in this prospectus, the Directors have confirmed that none of them is interested in any business which competes or may compete directly or indirectly with our business as of the Latest Practicable Date.

Personal Guarantee

None of the Directors and Supervisors provides personal guarantee in favor of the lender in respect of any bank financing granted to us.

Agency Fees or Commissions Received

Save as disclosed in this prospectus, no commissions, discounts, agency fees, brokerages or other special terms were granted in connection with the issue or sale of any share or lending capital of our Company or any of its subsidiaries within the two years preceding the date of this prospectus.

Related Party Transactions

The material related party transactions we entered into within the two years preceding the date of this prospectus are detailed in note 44 of the financial information in the Accountants' Report set out in Appendix I in this prospectus.

Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors, Supervisors and chief executives of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO upon the listing of H Shares on the Stock Exchange (including interests and short positions which he is taken or deemed to have under such provisions of 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, to be notified to our Company and the Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(b) our Directors and chief executive of our Company are not aware of any person who has an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO upon the listing of H Shares on the Stock Exchange, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of the Directors, Supervisors or parties referred to under the section headed "Other Information — Qualification of Experts" in this Appendix is interested in the promotion of our Company, or has any interest in any assets which have been, within the two years preceding the date of this prospectus, acquired or disposed of by or leased to, our Company, or are proposed to be acquired or disposed of by or leased to our Company;

(d) save as disclosed in this prospectus or the underwriting Agreement, none of the Directors, Supervisors or parties referred to under the section headed "Other Information — Qualification of Experts" in this Appendix is materially interested in any contract or arrangement at the date of this prospectus which is significant to the business of our Group;

(e) save in connection with the Underwriting Agreement, none of the parties referred to under the section headed "Other Information — Qualification of Experts" in this Appendix (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities of any member of our Group;

(f) as of the Latest Practicable Date, none of the Directors, Supervisors, their respective close associates (within the meaning of the Listing Rule), or any of the Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital, had any interest in any of our top five suppliers and top five customers; and

(g) none of the Directors or Supervisors has been paid in cash or shares or otherwise by any person during the Track Record Period as an inducement to join or upon joining the Company, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty under PRC law is likely to fall upon our Company or any of its subsidiaries.

Litigation

During the Track Record Period and as of the Latest Practicable Date, no member of our Group is involved in any material litigation, arbitration or claim, and so far as the Directors are aware, no such material litigation, arbitration, or claim is pending or threatened against our Group which will have a material adverse effect on our business, financial position and operating result.

Restriction on Share Repurchase

For details, please refer to the section headed "Appendix V — Summary of the Articles of Association — Rights to Repurchase Its Outstanding Shares in Issue".

Joint Sponsors and Joint Sponsors' Fees

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, our H Shares (including any Offer Shares which may be issued upon the exercise of the Over-allotment Option). All necessary arrangements have been made to enable the H Shares to be admitted into CCASS. Joint Sponsors are entitled to receive a total amount of RMB6.0 million as sponsor fees to act as the Joint Sponsors in the Global Offering.

Joint Sponsors have declared their independence pursuant to Rule 3A.07 of the Listing Rules.

Preliminary Expenses

Our preliminary expenses are approximately RMB5.2 million and are payable by our Company.

Qualification of Experts

The qualifications of the experts which have given their opinions in this prospectus are as follows:

Name	Qualification
Citigroup Global Markets Asia Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 5 (advising on future contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
Morgan Stanley Asia Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on future contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
UBS Securities Hong Kong Limited	Licensed to conduct type 1 (dealing in securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
Ernst & Young	Certified Public Accountants
Beijing DeHeng Law Offices	PRC legal adviser
Frost & Sullivan	Industry consultant

Consents of Experts

Each of the experts mentioned in the section headed "Other Information — Qualification of Experts" in this Appendix has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of any of its reports and/or letters and/or legal opinions (as the case may be) and the references to its name included herein in the form and context in which it is included.

None of the experts listed above has any equity interests in our Company or any of its subsidiaries or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities of our Company or any of its subsidiaries.

Promoters

The Promoters of our Company are CRSC Corporation Group, SINOMACH, CCT Group, CRHC and CICC Jiacheng. Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no cash, security or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to the promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

Financial Advisor

Macquarie Capital Securities Limited ("Macquarie Capital") has been appointed by the Company as the financial advisor in respect of the Global Offering. The appointment of Macquarie Capital was not made pursuant to the requirements of the Listing Rules, and the appointment of Macquarie Capital is separate and distinct from the appointment of the Joint Sponsors (which is required to be made by us pursuant to the Listing Rules). The Joint Sponsors are responsible for fulfilling their duties as sponsors to the Company's application for listing on the Stock Exchange, and the Joint Sponsors have not relied on any of the work performed by Macquarie Capital in fulfilling those duties. Macquarie Capital' role in the Global Offering is different from that of the Joint Sponsors in that it focuses on providing general corporate financing advice to the Company in respect of the listing and Global Offering. Macquarie Capital is a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activities under the SFO.

Compliance Adviser

We have appointed Haitong International Capital Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

Binding Effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospect of our Group since March 31, 2015 (being the date on which the latest audited financial statements of the Group was prepared).

Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within the two years preceding the date of this prospectus, we have not issued or agreed to issue any share or loan capital of our Company or its subsidiaries fully or partly paid either for cash or for a consideration other than cash;

(ii) within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries, is under option or is agreed conditionally or unconditionally to be put under option;

(iii) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the sub-underwriters) for subscribing, agreeing to subscribe, procuring to subscribe or agreeing to procure to subscribe for any shares in our Company or any of its subsidiaries;

(iv) none of our Company or any of its subsidiaries has issued or agreed to issue any founder or management or deferred shares;

(v) the Company has no outstanding convertible debt securities or debentures; and

(vi) there is no arrangement under which future dividends are waived or agreed to be waived;

(b) Our Directors confirm that there has been no interruption in our business which may have or have had a material adverse effect on the financial position of our Company within the 12 months preceding the date of this prospectus;

(c) No part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any other stock exchange, and no such listing or permission to deal in is currently being or proposed to be sought;

(d) the Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures; and

(e) All necessary arrangements have been made to enable the H Shares to be admitted into CCASS for clearing and settlement.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (ii) the written consents referred to in the section headed "Other Information — Consents of Experts" in Appendix VI in this prospectus; and (iii) copies of material contracts referred to in the section headed "Further Information about Our Business — Summary of Our Material Contracts" in Appendix VI in this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Kirkland & Ellis at 26/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) Articles of Association;

(b) the Accountants' Report from Ernst & Young, the text of which is set out in Appendix I in this prospectus;

(c) the consolidated audited financial statements of our Group for the three years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015;

(d) the report from Ernst & Young relating to the unaudited pro forma financial information, the text of which is set out in Appendix II in this prospectus;

(e) the material contracts referred to in the section headed "Further Information about Our Business — Summary of Our Material Contracts" in Appendix VI in this prospectus;

(f) the written consents referred to in the section headed "Other Information — Consents of Experts" in Appendix VI in this prospectus;

(g) the service contracts referred to in the section headed "Further Information about Our Directors, Supervisors and Substantial Shareholders — Director's and Supervisor's Service Contracts" in Appendix VI in this prospectus;

(h) the legal opinions issued by DeHeng Law Offices, our legal adviser as to PRC law in respect of our general matters and property interests of the Group;

(i) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial translations; and

(j) the Sullivan Report referred to in the "Industry Overview" section in this prospectus.



*China Railway Signal & Communication Corporation Limited**

中國鐵路通信信號股份有限公司

*For identification only