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

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

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2016

The board of directors (the “**Board**”) of China Railway Signal & Communication Corporation Limited* (中國鐵路通信信號股份有限公司) (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended June 30, 2016. This announcement is in compliance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The 2016 interim report will be dispatched to the Company’s H shareholders in due course and will be published on the aforesaid websites of the Company and The Stock Exchange of Hong Kong Limited.

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

Beijing, the People’s Republic of China
August 17, 2016

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

** For identification purpose only*

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

SUPERVISORS

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

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

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

BOARD COMMITTEES

Strategy and Investment Committee

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

Remuneration and Evaluation Committee

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

Audit and Risk Management Committee

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

Nomination Committee

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

Quality and Safety Committee

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

REGISTERED OFFICE

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Fengtai District
Beijing, PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Fengtai District
Beijing, PRC

Note: Ms. Li Yanqing resigned on July 20, 2016.

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

STOCK ABBREVIATION AND STOCK CODE

China CRSC (03969)

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Central
Hong Kong

PRC Legal Adviser

Beijing DeHeng Law Offices
12th Floor, Tower B
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Xicheng District
Beijing, PRC

AUDITOR

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

CORPORATE INFORMATION

LANGUAGE AND MEANS OF RECEIPT OF CORPORATE COMMUNICATION

The Company provides corporate communication to the Shareholders based on their respective selected language version and means of receipt. The Shareholders have the following options:

- to read the online version of all corporate communication published on the Company's website by electronic means instead of reading the printed version and receive written notice for the publication of the corporate communication published on the Company's website;
- to receive printed English version of all corporate communications only;
- to receive printed Chinese version of all corporate communications only; or
- to receive both printed English and Chinese versions of all corporate communications.

The Shareholders may choose and/or change their choice on the language version of our corporate communication and/or the way to receive our corporate communication at any time. The Shareholders may notify our Company of their option by the following ways:

- by mail: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
- by email: crsc.ecom@computershare.com.hk

For enquiry on the arrangement of selection of the language version and means of receipt of corporate communications, the Shareholders may contact our hotline at +852 2862 8688 at any time.

FINANCIAL SUMMARY

Financial data recorded in this interim report are the consolidated data of the Company and its subsidiaries prepared in accordance with the IFRS and denominated in RMB, unless otherwise stated.

(1) SUMMARY OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended June 30		Period-
	2016	2015	on-period
	RMB'000	RMB'000	change
			%
Revenue			
Design and integration	3,959,979	3,459,642	14.5
Equipment manufacturing	4,344,733	3,528,386	23.1
System implementation	3,971,602	3,387,611	17.2
Construction contracting	1,959,627	1,299,696	50.8
Others	110,748	84,320	31.3
Total	14,346,689	11,759,655	22.0
Gross profit	3,760,855	2,986,726	25.9
Profit before tax	1,980,538	1,442,186	37.3
Profit for the period	1,666,435	1,189,354	40.1
Profit attributable to owners of the parent	1,600,099	1,134,803	41.0
Basic earnings per Share (RMB)	0.18	0.16	12.5

FINANCIAL SUMMARY

(2) SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	June 30, 2016 RMB'000	December 31, 2015 RMB'000	Change of June 30, 2016 as compared to December 31, 2015 %
ASSETS			
Current assets	37,327,693	33,972,619	9.9
Non-current assets	8,155,166	8,019,540	1.7
Total assets	45,482,859	41,992,159	8.3
LIABILITIES			
Current liabilities	23,111,151	21,193,131	9.1
Non-current liabilities	1,199,977	1,063,846	12.8
Total liabilities	24,311,128	22,256,977	9.2
Total equity	21,171,731	19,735,182	7.3
Total equity and liabilities	45,482,859	41,992,159	8.3

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group derives revenue mainly from the PRC. The Group is 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 rail transportation in the PRC. With a strong focus on product design and R&D and through its “three-in-one” business model for rail transportation control system (that combines design and integration, equipment manufacturing and system implementation), the Group has 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 chain. The Group’s comprehensive offerings enable it to provide its 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, the Group’s one-stop solution business model enhances its ability to customize its products and services to address customers’ needs and become more competitive in bidding for new projects. In addition, the Group’s business model also promotes the synergies among its individual business lines, reduces its marketing costs and lays a solid foundation for it to develop its maintenance and upgrade services after its systems and equipment are put into operation.

In the first half of 2016, the Group continued to leverage the industry growth tendency and abundant resources of the Group to further develop its seven business sectors, including signal and communication, power supply and electrification, construction contracting, capital operation, overseas business, emerging businesses and informatization.

In the first half of 2016, the Group recorded a revenue of RMB14,346.7 million, gross profit of RMB3,760.9 million and profit attributable to equity shareholders of the Company of RMB1,600.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

(I) Analysis on Principal Business

Analysis of changes in the relevant items of the income statements

	Six months ended June 30		Period- on-period change %
	2016 RMB'000	2015 RMB'000	
Revenue	14,346,689	11,759,655	22.0
Cost of sales	10,585,834	8,772,929	20.7
Gross profit	3,760,855	2,986,726	25.9
Other income and gains	148,906	89,498	66.4
Selling and distribution expenses	341,296	291,145	17.2
Administrative expenses	1,482,504	1,307,338	13.4
Other expenses	116,839	59,078	97.8
Finance costs	13,369	8,295	61.2
Share of profits and losses of associates and joint ventures	24,785	31,818	(22.1)
Profit before tax	1,980,538	1,442,186	37.3
Income tax expense	314,103	252,832	24.2
Profit for the period	1,666,435	1,189,354	40.1

Revenue

The Group generates its revenue primarily from the following products and services:

- Design and integration: mainly includes engineering design and system integration services for rail transportation control system projects, and integrated solutions designed to achieve functionality and performance of control system;
- Equipment manufacturing: mainly includes manufacturing and sales of signal system products, communication information system products and other products;
- System implementation: mainly includes construction, installation, testing and maintenance services for rail transportation control system projects;
- Construction contracting: mainly includes municipal engineering contracting and construction services of other projects; and
- Other businesses: mainly engages in commodity trading and etc.

MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Group recorded a revenue of RMB14,346.7 million, representing an increase of 22.0% over the same period last year, mainly attributable to (i) the increase in the number of orders and business volumes due to the government's continuous increasing investment in the rail transportation industry in China, and (ii) the Group adhered to the strategy by focusing on one major business area and diversifying into related businesses. By making pre-emptive moves in the market, refining and deepening traditional business, quickly expanding the emerging businesses, hence the business achieved continuous growth.

Cost of Sales

During the reporting period, the Group's cost of sales was RMB10,585.8 million, representing an increase of 20.7% over the same period last year, mainly due to an increase in cost of sales arising from a continuous increase in sales business volumes.

Gross Profit

During the reporting period, the Group's gross profit was RMB3,760.9 million, representing an increase of 25.9% over the same period last year. The gross profit margin was 26.2%, representing an increase of 0.8 percentage point over the same period last year, this was mainly because the Group adopted various measures including the lean management and cost control, expenditures and expenses reduction, inventory revitalization for an efficiency lift, resulting in an effective cost reduction and efficiency enhancing, and further increase the gross profit rate.

Other Income and Gains

During the reporting period, the Group's other income and gains were RMB148.9 million, representing an increase of 66.4% over the same period last year, mainly due to an increase of interest income from bank deposits.

Selling and Distribution Expenses

During the reporting period, the Group's selling and distribution expenses were RMB341.3 million, representing an increase of 17.2% over the same period last year, mainly due to an increase in selling expense arising from increased sales business volumes.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

During the reporting period, the Group's administrative expenses were RMB1,482.5 million, representing an increase of 13.4% over the same period last year, mainly because the Group adhered to the independent innovation and increased investment in R&D to improve the corporate core competitiveness.

Other Expenses

During the reporting period, the Group's other expenses were RMB116.8 million, representing an increase of 97.8% over the same period last year, mainly due to the increase of other service expenses.

Finance Costs

During the reporting period, the Group's finance costs were RMB13.4 million, representing an increase of 61.2% over the same period last year, mainly due to an increase in interest expense from increased borrowings based on the need of production and business operation.

Share of profits and losses of associates and joint ventures

During the reporting period, the Group's share of profits of associates and joint ventures were RMB24.8 million, representing a decrease of 22.1% over the same period last year, mainly due to a decrease in net profits of associates and joint ventures during the first half of the year.

Profit before Tax

As a result of the foregoing, during the reporting period, the Group's profit before tax was RMB1,980.5 million, representing an increase of 37.3% over the same period last year.

Income Tax Expenses

During the reporting period, the Group's income tax expenses were RMB314.1 million, representing an increase of 24.2% over the same period last year. During the reporting period, the Group's effective income tax rate was approximately 15.9%.

Profit for the period

As a result of the foregoing, during the reporting period, the Group's profit for the period was RMB1,666.4 million, representing an increase of 40.1% over the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Net Cash Flows

Analysis of changes in the relevant items of the statements of cash flow

	For the six months ended	
	June 30	
	2016	2015
	RMB'000	RMB'000
Net cash flow from operating activities	1,048,361	279,747
Net cash flow from/(used in) investing activities	801,793	(547,068)
Net cash flow from used in financing activities	(991,354)	(892,181)

During the reporting period, the Group recorded the net cash inflow from operating activities of RMB1,048.4 million, representing an increase of RMB768.6 million as compared with the net cash flow from operating activities over the same period last year, and the main reasons are (i) an increase in profit before tax resulting from the Group's continuous fast economic growth; and (ii) the Group's efforts to step up the control of trade receivables and inventories, thereby increased the cash flow from operating activities.

During the reporting period, the Group recorded the net cash flow from investing activities of RMB801.8 million, an increase of RMB1,348.9 million as compared with the net cash used in investing activities over the same period last year which was mainly due to the recovery of deposits with maturity of more than three months in the first half of 2016.

During the reporting period, the Group recorded the net cash flow used in financing activities of RMB991.4 million, representing an increase of RMB99.2 million as compared with the net cash used in financing activities over the same period last year, which was mainly due to the distribution of dividends during the first half of 2016.

(III) Others

A. *Material changes in the Group's profit composition or sources of profit*

During the reporting period, there were no material changes in the Group's profit composition or sources of profit.

B. *Progress in the implementation of the Groups' material asset reorganisation*

During the reporting period, the Group did not conduct any material asset reorganisation.

MANAGEMENT DISCUSSION AND ANALYSIS

DEBT STRUCTURE AND LIQUIDITY

Borrowings

As at June 30, 2016, the Group had total borrowings of approximately RMB684.7 million, representing an increase of 46.5% from RMB467.4 million as at December 31, 2015, mainly due to increased low interest rate policy-based borrowings based on the need of the production and operation.

As at June 30, 2016, all of the Group's total borrowings were denominated in RMB and unsecured.

As at June 30, 2016, the short-term interest bearing borrowings and long-term interest bearing borrowings of the Group amounted to RMB464.3 million and RMB220.4 million, respectively. The table below sets forth the maturity profile of the loans and other borrowings repayable of the Group as at December 31, 2015 and June 30, 2016:

	June 30, 2016 RMB'000	December 31, 2015 RMB'000
Bank loans repayable		
Within one year	464,114	429,300
In the second year	200,000	17,400
<i>Sub-total</i>	664,114	446,700
Other borrowings		
Within one year	146	146
In the second to fifth years, inclusive	20,436	20,582
<i>Sub-total</i>	20,582	20,728
Total	684,696	467,428

As at June 30, 2016, the Group's total bank and other borrowings amounted to RMB684.7 million, among which RMB639.0 million is floating interest rates. As at December 31, 2015, all of the total bank and other borrowings amounted to RMB467.4 million is floating interest rates.

Net Current Assets

As at June 30, 2016, the Group's net current assets amounted to RMB14,216.5 million, representing an increase of 11.2% from that as at December 31, 2015, mainly due to a respective increased current asset from an increase in sales business volumes.

MANAGEMENT DISCUSSION AND ANALYSIS

Commitments

As at June 30, 2016, the Group had capital commitments of RMB690.8 million contracted for but not yet incurred, mainly attributable to increased investment in the project of technological revamp for improving the technology and equipment capabilities of the railway transportation safety control system and the establishment of Railway Transportation Research Center. The investment commitments of the Group contracted but not provided are RMB 525.0 million, which is an investment in the Group's associate company Tianshui Tiantong Tramway Co., Ltd (天水天通有軌電車有限責任公司). The table below sets forth the Group's commitments as at December 31, 2015 and June 30, 2016:

	June 30, 2016 RMB'000	December 31, 2015 RMB'000
Contracted, but not provided		
Capital commitments		
– property, plant and equipment	690,722	15,446
– land use rights	—	110,900
Investment commitments	525,000	—
	<u>1,215,722</u>	<u>126,346</u>

Liquidity

As at June 30, 2016, the Group had bank facilities of approximately RMB31,150.0 million granted by commercial banks to the Company, of which RMB22,265.0 million was unutilized and unrestricted. As at June 30, 2016, the Group had cash and cash equivalents of approximately RMB13,965.7 million, of which RMB12,924.7 million was denominated in RMB and RMB1,041.0 million was denominated in foreign currencies.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing ratio

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. As at June 30, 2016, the Group's gearing ratio was 3.2%, representing an increase of 0.8 percentage points from 2.4% as at December 31, 2015, mainly due to increased low interest rate policy-based borrowings to support the production operation.

Pledge of Assets

As at June 30, 2016, the Group did not pledge any of its assets for its bank loans, other borrowings, other payables and accruals.

Contingent Liabilities

As at June 30, 2016, the Group had no material contingent liabilities.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISK

The Group is exposed to various types of market risks in the ordinary course of its business, including credit risk, liquidity risk, interest rate risk and currency risk. The Group manages its exposure to these and other market risks through regular operating and financing activities.

Credit Risk

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

Liquidity 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 Group has made use of a wide range of bank loans of varying repayment schedules as well as other loans to ensure a consistently abundant capital supply with flexibility while guaranteeing that the obligation of outstanding loans of the Group does not pose material repayment risk in any given year.

Interest Rate Risk

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

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Currency Risk

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

BUSINESS REVIEW

(I) Board's Discussion and Analysis on Operations of the Group for the Reporting Period

A. Analysis on Core Business

(1) Revenue breakdown by business segment and product

The table below sets forth the Group's revenue breakdown by business during the reporting period:

By business	Revenue (RMB'000)	Cost of sales (RMB'000)	Gross profit margin (%)	Increase/ (decrease) in revenue as compared to the same period last year	Increase/ (decrease) in cost of sales as compared to the same period last year	Increase/ (decrease) in gross profit margin as compared to the same period last year
				(%)	(%)	(Percentage point)
Design and integration	3,959,979	2,459,939	37.9	14.5	9.8	2.7
Equipment manufacturing	4,344,733	2,707,504	37.7	23.1	22.9	0.1
System implementation	3,971,602	3,576,992	9.9	17.2	15.3	1.5
Construction contracting	1,959,627	1,752,503	10.6	50.8	51.8	(0.6)
Other businesses	110,748	88,896	19.7	31.3	22.3	5.9
Total	14,346,689	10,585,834	26.2	22.0	20.7	0.8

MANAGEMENT DISCUSSION AND ANALYSIS

Design and integration: revenue from the design and integration business increased by 14.5% over the same period last year, mainly attributable to (i) the increase in the number of orders and business volumes in the design and integration sector due to the government's continuous increasing investment in the rail transportation industry in China, and (ii) the Group accelerated the promotion and application of R&D achievements, enlarged market shares by fully leveraging the technical strengths, resulting in a steady increase in the business volumes of the sector.

Equipment manufacturing: revenue from the equipment manufacturing business increased by 23.1% over the same period last year, mainly attributable to (i) the increase in the number of orders and business volumes in the equipment manufacturing sector due to the government's continuous increasing investment in the rail transportation industry in China, and (ii) the Group improved the level of industrial equipment manufacturing by optimizing resources allocation, resulting in an increase in the business volumes of the sector.

System implementation: revenue from the system implementation business increased by 17.2% over the same period last year, mainly attributable to (i) the increase in the number of orders and business volumes in the system implementation sector due to the government's continuous increasing investment in the rail transportation industry in China, and (ii) the Group improved the market competitiveness through upgrading the qualification of system implementation, resulting in an increase in the business volumes of the sector.

Construction contracting: revenue from the construction contracting business increased by 50.8%, mainly because the Group adhered to the strategy by focusing on one major business area and diversifying into related businesses. By refining and deepening traditional business, fully expanding the emerging businesses, the revenue of general project management sector achieved a fast growth.

Other businesses: revenue from other business increased by 31.3% over the same period last year, mainly attributable to the Group's great expansion of emerging businesses while refining and deepening the traditional business of signal & communication, resulting in a quick increase in revenue of this sector.

The Group's revenue increased by 22.0% over the same period last year with the percentage of the design and integration business, equipment manufacturing business, system implementation services business, construction contracting business and other businesses in total revenue of 27.6%, 30.3%, 27.7%, 13.6% and 0.8%, respectively.

(2) Revenue breakdown by region

The table below sets forth the Group's revenue breakdown by region during the reporting period:

	Six months ended June 30, 2016		Six months ended June 30, 2015		Change (%)
	Revenue (RMB'000)	Percentage (%)	Revenue (RMB'000)	Percentage (%)	
Domestic market	13,940,564	97.2	11,629,052	98.9	19.9
Overseas market	406,125	2.8	130,603	1.1	211.0
Total	14,346,689	100.0	11,759,655	100.0	22.0

During the reporting period, the Group's revenue from domestic market increased by 19.9%, while the Group's revenue from overseas market increased by 211.0%, and the main reasons are (i) the increase in the number of orders and business volumes in the domestic market by the Group due to the government's continuous increasing investment in the rail transportation industry in China, and (ii) the Group's active participation in the strategy of "One Belt and One Road" and "Going Global" implemented by the Chinese government, resulting in an increase in the number of orders and business volumes in overseas market.

MANAGEMENT DISCUSSION AND ANALYSIS

B. Major Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There were no major acquisitions or disposals of subsidiaries, associates or joint ventures by the Company during the reporting period.

C. Core Competitiveness

1. Strong technology innovation and system integration capabilities

The Group, as a leading technological company in the railway communication and signal industry in China, engages in the setting of industry standards and specifications of the Chinese railway communication and signal industry. With strong technology innovation capabilities, we developed the C3 train control system technology and the CBTC system technology with proprietary intellectual property rights and have strong system integration capabilities.

2. Comprehensive advantage of a full industry chain

The Group has set up a relatively complete professional industry chain, and is capable of providing one-stop services including capital operation, research and design, system integration, product manufacturing, technological services and operation and maintenance.

3. Leading technical professionals within the industry

During the long period of project practice, the Group has built up a highly professional team with comprehensive capacity. Our communication and signal technical professionals, in particular, demonstrate their outstanding capabilities and have significant influence in the industry.

4. Excellent customer relationship

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

5. High quality assets and sufficient room for financing

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

MANAGEMENT DISCUSSION AND ANALYSIS

D. Employees and Remuneration Policies

Cultivating and maintaining a team of capable and motivated administrative, technical and other employees is critical to the Group's success. The Group's recruitment and retaining policies for employees take into account of a number of factors, including market conditions, its business demands and expansion plans. The Group carries out employee performance appraisals, and its subsidiaries have established diversified forms of dynamic appraisal mechanisms. The employee performance appraisals are conducted on a regular basis and, the result of which will have an impact on employees' salary and remuneration. As of June 30, 2016, the Group had 16,267 full-time employees, and its total labor costs for the six months ended June 30, 2016 reached RMB1,568.0 million. The Group aims to recruit, train and retain talented professionals through a multiple recruiting and training process and offers competitive performance-based remuneration packages and career development opportunities. The Group believes that these measures have contributed to the improvement of the employees' performance and abilities.

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

E. Use of Proceeds

Gross proceeds from the initial public offering of the Group was approximately HK\$11,025.0 million. The net proceeds will be applied according to the section headed "Future Plans and Use of Proceeds" in the prospectus dated July 28, 2015 of the Company.

(II) Business Outlook for the Second Half of 2016

In the first half of 2016, the economy in the PRC has been growing steadily, with the policy of ecotone stability and growth being further implemented, new urbanization being carried forward orderly and railway traffic networks plans being approved intensively. The above macroeconomic and national policies will continue to benefit the rail transportation control system industry and the Group's business. In addition, the implementation of national strategies and complementary policies including the "One Belt and One Road" strategy will accelerate the exploration of overseas market for Chinese rail transportation industry and the Group.

The Group will continue to strengthen its competitive key advantages across the industry chain, namely the "three-in-one" business model, make its traditional businesses more refined and in-depth and its competitive industries greater and stronger, expand emerging segments steadily and orderly, and explore international market by taking various measures. The aggregate amount for contracts entered into in the first half of 2016 by the Group amounted to RMB25,370 million, representing an increase of 37.1% as compared with the corresponding period of the previous year. At present, the Group is carrying out all operation activities in a steady manner. By strengthening the resources consolidation and optimization, enhancing the construction of the secondary operating system and improving the diversified businesses in the second half of the year, the Group is expected to maintain a high-speed growth and achieve the annual goal.

OTHER EVENTS

CORPORATE GOVERNANCE CODE

In order to ensure that the Company is able to fully perform its obligations under the Listing Rules, the Company has established a modern and effective corporate governance structure and endeavored to continuously improve its internal control and corporate governance mechanism.

Since July 20, 2016, Ms. Li Yanqing, the executive Director of the Company has resigned as an executive Director, a vice chairwoman of the Board, a member of strategy and investment committee, nomination committee, and quality and safety committee of the Company as she reached the retirement age. While the Company had used its best efforts to identify a suitable candidate to fill in the vacancies, the candidate for executive Director was determined at the same date. The Company published a circular for the first extraordinary general meeting of 2016 on July 22, 2016 to propose appointment of Mr. Fu Jianguo as the executive Director of the Company. The appointment of Mr. Fu Jianguo will be reviewed and approved at the 2016 first extraordinary general meeting to be held on September 6, 2016. With the approval at the 2016 first extraordinary general meeting, he will also be appointed as a member of the strategy and investment committee, the nomination committee and the quality and safety committee on even date. Upon the effectiveness of such appointments, the Company is in compliance with the requirements under the Listing Rules and Rules of Procedure of Board Committees regarding the number and composition of strategy and investment committee, nomination committee and quality and safety committee.

During the reporting period, the Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code of Appendix 14 to the Listing Rules. The Board is of the view that, save as aforesaid, the Company has complied with all the code provisions as set out in the Corporate Governance Code throughout the reporting period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES BY THE COMPANY OR ANY OF ITS SUBSIDIARIES

During the reporting period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PROFIT DISTRIBUTION

Final Dividends 2015

Upon the approval by the Shareholders of the Company on May 24, 2016, the Company paid the final dividends 2015 on June 30, 2016 of RMB 0.025 per share in cash (tax inclusive). For details please refer to the announcement published by the Company dated May 24, 2016.

Interim Dividends 2016

The Board does not propose to pay any interim dividend for 2016.

REVIEW OF THE INTERIM REPORT BY THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Company consists of Mr. SUN Patrick (the chairman), Mr. WANG Jiajie and Mr. GAO Shutang. The Audit and Risk Management Committee has reviewed the unaudited interim condensed consolidated financial statements and the interim report of the Company for the six months ended June 30, 2016.

SUBSEQUENT EVENTS

Since July 20, 2016, Ms. Li Yanqing has resigned as an executive Director, a vice chairwoman of the Board, a member of strategy and investment committee, nomination committee, and quality and safety committee of the Company.

Save as disclosed above, there were no significant subsequent events which have occurred since June 30, 2016 and up to the Latest Practicable Date.

MOVEMENTS IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

CHANGES IN SHARE CAPITAL

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

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

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

As of June 30, 2016, the Company's total share capital was RMB8,789,819,000, divided into 8,789,819,000 Shares with a nominal value of RMB1.00 each, of which, 6,821,018,000 Shares were Domestic Shares and 1,968,801,000 Shares were H Shares.

MOVEMENTS IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

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

As at June 30, 2016, none of the Directors, Supervisors or chief executive of the Company had any interests and/or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at June 30, 2016, so far as is known to the Directors, the following persons (other than Directors, Supervisors or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were entered in the register required to be kept by the Company pursuant to section 336 of the SFO:

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

MOVEMENTS IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of shareholder	Class of shares	Capacity	Number of shares held	Approximate percentage of shares in the relevant class of shares of the Company	Approximate percentage of shares in the total shares in issue of the Company
China Railway Group Limited ⁽³⁾	H Shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25%	1.40%
China Railway International Group Co., Limited ⁽³⁾	H Shares	Interests in a controlled corporation	123,063,000 (Long position)	6.25%	1.40%

Notes:

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

Save as disclosed above, as at June 30, 2016, the Directors were not aware of any other persons who had interests and/or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS AND SUPERVISORS

As at the date of this report, the Directors, Supervisors and Senior Management of the Company are as follows:

Directors

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Supervisors

Name	Age	Present Title	Roles and Responsibilities
TIAN Liyan (田麗豔)	42	Chairwoman of the Supervisory Committee	Presiding overall work of the Supervisory Committee, organizing and supervising the management and the Board of Directors, making relevant suggestions
GAO Fan (高帆)	41	Supervisor	Supervising operations and financial activities
ZHAO Xiumei (趙秀梅)	43	Supervisor (Employee Representative Supervisor)	Supervising operations and financial activities

Senior Management

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

Biographies of the Directors, Supervisors and Senior Management mentioned above are set out from pages 25 to 30 in this report.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions of the Company carried out by all the Directors and Supervisors. The Company has made specific enquiries to all the Directors and Supervisors, and all the Directors and Supervisors have confirmed that they have complied with the standards as set out in the Model Code throughout the period ended June 30, 2016.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. LI Yanqing, an executive director of the Company, has resigned from the positions of the executive director of the Company, the vice chairwoman of the Board and the member of the Strategy and Investment Committee, the Nomination Committee and the Quality and Safety Committee of the Board due to having reached the age of retirement, with effect from July 20, 2016. Since July 20, 2016, Mr. KONG Ning has ceased to be the chief accountant of the Company and thorned into the vice president of the Company. Since July 20, 2016, Mr. HU Shaofeng has become the chief accountant of the Company.

Save as disclosed above, during the period ended June 30, 2016, the Company did not appoint or dismiss any Director, supervisor or senior management.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Mr. ZHOU Zhiliang, aged 52, 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 Hong Kong Stock Exchange, stock code: 1186; listed on the Shanghai Stock Exchange, stock code: 601186) from October 2007 to January 2012, during which Mr. Zhou also served as chairman of the board 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 a director at No.2 Railway Survey and Design Department (第二勘測設計處) of, a director at No.2 Railway Survey and Design Institute (第二勘測設計研究處) of, and the 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 MBA degree in January 2008. In December 2010, Mr. Zhou was conferred the title of professorate senior engineer by Technological Qualification Review Committee for Senior Engineers of CRCC (中國鐵建股份有限公司工程系列正高級專業技術職務任職資格評審委員會).

Mr. YIN Gang, aged 54, 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 operation. 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 the deputy general manager and general manager of Shenyang Railway Signal Factory (瀋陽鐵路信號工廠) (the predecessor of Shenyang Railway Communication Co., Ltd. (瀋陽鐵路信號有限責任公司)).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Independent Non-executive Directors

Mr. WANG Jiajie, aged 66, has been appointed as the Company's independent non-executive Director since May 21, 2015, and is mainly responsible for providing advice with regard to the corporate governance, connected transactions, the Company's business strategies, nomination of the Directors and senior management of the Company and auditing and risk management. Mr. Wang is currently the arbitrator of China International Economic and Trade Arbitration Commission and the arbitrator of Beijing Arbitration Commission. Before joining our Company, Mr. Wang served in several positions in China General Technology (Group) Holding Co., Ltd. (中國通用技術(集團)控股有限責任公司), including serving as its general counsel from December 2004 to December 2010 and as the general manager of its legal department from July 1999 to December 2004. Mr. Wang also served in several positions in China National Technical Imp. & Exp. Corp. (中國技術進出口總公司), including serving as the general manager of its legal department from November 1998 to July 1999 and the vice general manager of its legal department from December 1991 to November 1998.

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

Mr. SUN Patrick, aged 58, has been appointed as the Company's independent non-executive Director since May 21, 2015. Mr. Sun currently serves as an independent non-executive director of several companies listed on the Hong Kong Stock Exchange, including Trinity Limited (利邦控股有限公司), Sihuan Pharmaceutical Holdings Group Ltd. (四環醫藥控股集團有限公司), China NT Pharma Group Company (中國泰凌醫藥集團有限公司) and Kunlun Energy Company Limited (昆侖能源有限公司). Mr. Sun is also the independent non-executive director of CRR Corporation Limited (中國中車股份有限公司) and China Railway Construction Corporation Limited (中國鐵建股份有限公司) which are listed on both the Shanghai Stock Exchange and Hong Kong Stock Exchange. Mr. Sun is the vice chairman of the Chamber of Hong Kong Listed Companies and formerly served as the honorary secretary general of the Chamber (2013-2015).

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Mr. CHEN Jin'en, aged 62, has been appointed as an independent non-executive Director of the Company since May 21, 2015, and is mainly responsible for providing advice with regard to the corporate governance, connected transactions, the Company's business strategies, and 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 the 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 67, has been appointed as an independent non-executive Director since May 21, 2015, and is mainly responsible for providing advice with regard to the 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 the 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, from September 2007 to December 2009, he also 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 economic management.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Supervisors

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

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

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

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

Ms. ZHAO Xiumei, aged 43, has been appointed as the employee representative Supervisor of our Company since May 21, 2015, and is mainly responsible for supervising business operations and financial activities. Ms. Zhao has served as a supervisor of the legal department of our Company since December 2010. Ms. Zhao also served as a supervisor of the legal department of CRSC Corporation Group from December 2005 to December 2010, and a translator and an administrative supervisor of the general office of CRSC Corporation Group from May 2002 to December 2005. Ms. Zhao worked at CRSC Corporation Group Three Series System Control Communication Technology Co., Ltd. (中國通號集團三系程控通信技術公司) from August 1996 to June 2002, during which, Ms. Zhao served as a translator of the Committee of Railway Cooperation Organization (Warsaw, Poland) from May 1998 to April 2002.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Senior Management

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

Mr. KONG Ning, aged 52, has been the Company's vice president since July 2016, and is mainly responsible for assisting the president in the management of daily production and operation of the Company. Mr. Kong was the Company's chief accountant from December 2010 to July 2016, and was mainly in charge of our financial work. Mr. Kong was the chief accountant of CRSC Corporation Group from November 2004 to May 2015, accountant in the finance department of China Huanqiu Contracting & Engineering Corporation (中國寰球工程公司) and head of finance department and chief accountant of HQCEC (HB) (華北規劃設計院) from August 2001 to November 2004 and 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. HU Shaofeng, aged 49, has been the Company's chief accountant since July 2016, and is mainly in charge of our financial work. Mr. Hu has been the Company's Board Secretary since May 2013 and the director of Innovation Investment (創新投資) since August 2012. He was the Company's deputy chief accountant from July 2012 to July 2016. Mr. Hu served as the deputy general manager, chief accountant and general counsel of China Railway Construction Heavy Industry Co., Ltd. (中國鐵建重工集團有限公司) from December 2011 to July 2012. Mr. Hu served as the chief accountant of China Railway Track Systems Group Co., Ltd. (中鐵軌道系統集團有限公司) from May 2007 to December 2011. Mr. Hu served as the 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 majored 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 accountant by Qualification Review Committee for Senior Accounting Professional Technical Positions of China Railway Construction Corporation.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. CHEN Hong, aged 54, has been the Company's vice president since April 2013, and is mainly responsible for assisting the president in the management of the 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 the chairman of China Railway Signal & Communication Shanghai Engineering Bureau Group Co., Ltd. (中國鐵路通信信號上海工程局集團有限公司) ("CRSCS") from September 2013 to October 2014, chairman of the board of Innovation Investment (創新投資) from August 2012 to February 2014. Mr. Chen was the chairman of labor union of CRSC Corporation Group from March 2007 to April 2013. Mr. Chen also served as the office director of CRSC Corporation Group from November 2004 to March 2007. Mr. Chen successively served as the deputy general manager of China Railway Signal & Communication Shanghai Engineering Co., Ltd. (中國鐵路通信信號上海工程公司) (the predecessor of CRSCS) from June 2000 to November 2004, and office manager, project manager and assistant to general manager of this company from June 1992 to June 2000.

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

Mr. HUANG Weizhong, aged 51, has been the Company's Vice President since April 18, 2013, and is mainly responsible for assisting the president in the management of 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 majored 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.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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To the shareholders of China Railway Signal & Communication Corporation Limited

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

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated statement of financial position of China Railway Signal & Communication Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as at 30 June 2016 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting ("IAS 34") issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 International Auditing and Assurance Standards Board. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

17 August 2016

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2016

		Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	14,346,689	11,759,655
Cost of sales		(10,585,834)	(8,772,929)
Gross profit		3,760,855	2,986,726
Other income and gains	4	148,906	89,498
Selling and distribution expenses		(341,296)	(291,145)
Administrative expenses		(1,482,504)	(1,307,338)
Other expenses		(116,839)	(59,078)
Finance costs	5	(13,369)	(8,295)
Share of profits and losses of:			
Joint ventures		14,489	19,967
Associates		10,296	11,851
PROFIT BEFORE TAX	6	1,980,538	1,442,186
Income tax expense	7	(314,103)	(252,832)
PROFIT FOR THE PERIOD		1,666,435	1,189,354
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax:			
Re-measurement gains/(losses) on defined benefit plans, net of tax		970	(5,195)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		1,667,405	1,184,159
Profit attributable to:			
Owners of the parent		1,600,099	1,134,803
Non-controlling interests		66,336	54,551
		1,666,435	1,189,354
Total comprehensive income attributable to:			
Owners of the parent		1,601,069	1,129,608
Non-controlling interests		66,336	54,551
		1,667,405	1,184,159
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted (expressed in RMB per share)	8	0.18	0.16

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2016

	Notes	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	3,131,642	3,105,083
Prepaid land lease payments		2,351,162	2,277,608
Investment properties		3,829	3,918
Goodwill		267,225	267,225
Other intangible assets		528,641	588,710
Investments in joint ventures		238,682	241,692
Investments in associates		281,045	181,289
Available-for-sale investments		62,709	62,709
Deferred tax assets		172,872	147,444
Trade receivables	11	837,520	935,737
Prepayments, deposits and other receivables	12	279,839	208,125
Total non-current assets		8,155,166	8,019,540
CURRENT ASSETS			
Prepaid land lease payments		62,399	59,747
Inventories		2,615,406	2,689,098
Trade and bills receivables	11	10,055,006	8,285,130
Prepayments, deposits and other receivables	12	2,665,045	2,466,214
Amounts due from contract customers	10	7,812,066	5,904,875
Tax recoverable		4,637	29,212
Pledged deposits	13	147,459	198,549
Cash and cash equivalents	13	13,965,675	14,339,794
Total current assets		37,327,693	33,972,619
CURRENT LIABILITIES			
Trade and bills payables	14	13,608,757	10,954,247
Amounts due to contract customers	10	3,514,550	3,998,934
Other payables, advances from customers and accruals	15	5,220,220	5,501,037
Interest-bearing bank loans and other borrowings	16	464,260	429,446
Provisions for supplementary retirement benefits		66,731	73,557
Tax payable		173,251	190,674
Government grants		6,134	9,755
Provisions		57,248	35,481
Total current liabilities		23,111,151	21,193,131
NET CURRENT ASSETS		14,216,542	12,779,488
TOTAL ASSETS LESS CURRENT LIABILITIES		22,371,708	20,799,028

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2016

	Notes	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Trade payables	14	24,013	34,024
Interest-bearing bank loans and other borrowings	16	220,436	37,982
Provisions for supplementary retirement benefits		660,289	682,273
Deferred tax liabilities		66,023	74,252
Government grants		112,262	112,741
Provisions		116,954	122,574
Total non-current liabilities		1,199,977	1,063,846
Net assets		21,171,731	19,735,182
EQUITY			
Equity attributable to owners of the parent			
Share capital		8,789,819	8,789,819
Reserves		11,434,794	10,053,470
		20,224,613	18,843,289
Non-controlling interests		947,118	891,893
Total equity		21,171,731	19,735,182

Director **Zhou Zhiliang**

Director **Yin Gang**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2016

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital reserve	Special reserve	Statutory surplus reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2016	8,789,819	7,266,883	142,831	651,833	1,991,923	18,843,289	891,893	19,735,182
Profit for the period	—	—	—	—	1,600,099	1,600,099	66,336	1,666,435
Other comprehensive income for the period:								
Re-measurement gains on defined benefit plans, net of tax	—	970	—	—	—	970	—	970
Total comprehensive income for the period	—	970	—	—	1,600,099	1,601,069	66,336	1,667,405
Dividends declared (note (i))	—	—	—	—	(219,745)	(219,745)	—	(219,745)
Dividends declared to non-controlling interests	—	—	—	—	—	—	(11,111)	(11,111)
Transfer to special reserve (note (ii))	—	—	103,661	—	(103,661)	—	—	—
Utilisation of special reserve (note (ii))	—	—	(70,969)	—	70,969	—	—	—
As at 30 June 2016	<u>8,789,819</u>	<u>7,267,853 *</u>	<u>175,523 *</u>	<u>651,833 *</u>	<u>3,339,585 *</u>	<u>20,224,613</u>	<u>947,118</u>	<u>21,171,731</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2016

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Capital reserve	Special reserve	Statutory surplus reserve	Retained profits	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
As at 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	—	—	—	—	1,134,803	1,134,803	54,551	1,189,354	
Other comprehensive loss for the period:									
Re-measurement losses on defined benefit plans, net of tax	—	(5,195)	—	—	—	(5,195)	—	(5,195)	
Total comprehensive income/(loss) for the period	—	(5,195)	—	—	1,134,803	1,129,608	54,551	1,184,159	
Capital contribution from a non-controlling shareholder	—	—	—	—	—	—	2,352	2,352	
Capital contribution from a shareholder	—	37,673	—	—	—	37,673	—	37,673	
Acquisition of non-controlling interests	—	2,098	—	—	—	2,098	(54,166)	(52,068)	
Special dividends declared	—	—	—	—	(3,951,137)	(3,951,137)	—	(3,951,137)	
Dividends declared to non-controlling interests	—	—	—	—	—	—	(156,894)	(156,894)	
Transfer to special reserve (note (ii))	—	—	76,395	—	(76,395)	—	—	—	
Utilisation of special reserve (note (ii))	—	—	(56,984)	—	56,984	—	—	—	
As at 30 June 2015	<u>7,000,000</u>	<u>456,980*</u>	<u>178,011*</u>	<u>288,204*</u>	<u>958,772*</u>	<u>8,881,967</u>	<u>657,417</u>	<u>9,539,384</u>	

* As at 30 June 2016, these reserve accounts comprise the consolidated reserves of RMB11,434,794,000(Unaudited) (30 June 2015: RMB1,881,967,000 (Unaudited)) in the interim condensed consolidated statement of financial position.

Notes:

- (i) On 24 May 2016, the Company's shareholders approved the final dividend of RMB0.025 per share in cash (tax inclusive) for 2015 at the annual general meeting. Up to 30 June 2016, the Company has paid the final dividend for 2015.
- (ii) In preparation of the interim condensed consolidated financial statements, the Company and its subsidiaries have appropriated certain amounts of retained profits to a special reserve fund for each of the six months ended 30 June 2016 and 2015 respectively, for safety production expense purposes as required by the directives issued by 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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2016

	Notes	Six months ended June 30	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,980,538	1,442,186
Adjustments for:			
Finance costs	5	13,369	8,295
Foreign exchange differences, net		(16,272)	(1,145)
Interest income	4	(86,629)	(36,002)
Share of profits and losses of associates and joint ventures		(24,785)	(31,818)
Losses on forward commodity purchase contracts	6	—	1,903
Depreciation of items of property, plant and equipment	6	165,825	168,273
Depreciation of investment properties	6	89	—
Amortisation of other intangible assets	6	75,377	71,385
Amortisation of prepaid land lease payments	6	29,930	24,848
Impairment/(reversal of impairment) of trade receivables	6	(43,787)	29,959
Impairment of deposits and other receivables	6	115,464	24,261
Write-down/(reversal of write-down) of inventories to net realisable value	6	(36)	19
Provision/(reversal of provision) for foreseeable losses on contracts	6	404	(2,906)
Losses/(gains) on disposal of items of property, plant and equipment, net	6	156	(109)
Government grants		(3,732)	(9,726)
		2,205,911	1,689,423
Decrease in inventories		73,728	68,731
Changes in amounts with contract customers		(2,391,979)	(618,470)
Increase in trade and bills receivables		(1,627,872)	(2,111,448)
Increase in prepayments, deposits and other receivables		(347,665)	(351,179)
Decrease/(increase) in pledged deposits		51,090	(36,339)
Increase in trade and bills payables		2,644,499	2,491,034
Increase/(decrease) in other payables, advances from customers and accruals		775,091	(577,936)
Decrease in provisions for supplementary retirement benefits		(28,759)	(12,645)
Increase in provisions		16,147	22,722
Increase/(decrease) in government grants		(368)	6,447
		1,369,823	570,340
Cash generated from operations		1,369,823	570,340
Interest received		19,146	20,413
Income tax paid		(340,608)	(311,006)
		1,048,361	279,747
Net cash flows from operating activities		1,048,361	279,747

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2016

	Six months ended June 30	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
	Notes	
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquisition of items of property, plant and equipment	(281,419)	(210,564)
Payments for acquisition of prepaid land lease payments	(121,165)	(254,575)
Payments for acquisition of other intangible assets	(15,308)	(6,472)
Addition of investments in a joint venture and associates	(108,000)	(20,000)
Proceeds from disposals of items of property, plant and equipment	1,406	1,903
Dividends received from associates and joint ventures	13,645	20,435
Acquisitions of subsidiaries, net of cash acquired	—	(7,006)
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months	1,245,151	(6,378)
Repayment of advances to a non-controlling shareholder	—	100,000
Increase in advances to a joint venture	—	(180,000)
Interest received	67,483	15,589
Net cash flows from/(used in) investing activities	<u>801,793</u>	<u>(547,068)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans and other borrowings	645,713	2,500,000
Repayment of bank loans and other borrowings	(428,445)	(23,410)
Interest paid	(13,381)	(8,313)
Acquisitions of non-controlling interests	—	(52,068)
Dividends paid to shareholders	(943,145)	(3,305,248)
Dividends paid to non-controlling shareholders	(63,753)	(43,167)
Payments of share issue expenses	(188,343)	—
Capital contribution from a shareholder	—	37,673
Capital contribution from a non-controlling shareholder	—	2,352
Net cash flows used in financing activities	<u>(991,354)</u>	<u>(892,181)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	858,800	(1,159,502)
Cash and cash equivalents at beginning of the period	11,419,938	5,917,548
Effect of exchange rate changes on cash and cash equivalents	12,232	1,145
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	12,290,970	4,759,191
	13	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

1. CORPORATE INFORMATION

China Railway Signal & Communication Corporation Limited (the “Company”) was established as a joint stock company with limited liability on 29 December 2010 in the People’s Republic of China (the “PRC”). The shares of the Company have been issued and listed on the main board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) from 7 August 2015. The registered office of the Company is located at B 49 Xisihuan South Road, Fengtai District, Beijing, the PRC.

The Company and its subsidiaries (collectively referred to as the “Group”) are primarily engaged in the rendering of rail transportation control system in the PRC.

In the opinion of the directors, the Company’s holding company is China Railway Signal & Communication Corporation (“CRSC Corporation Group”), which is wholly owned by the State Council of the PRC.

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standards Board (“IASB”) and compliance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2015.

The interim condensed consolidated financial statements have been prepared under the historical cost convention and are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousands, except when otherwise indicated.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (Continued)

2.2 Impact of new and revised International Financial Reporting Standards (“IFRSs”)

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity’s rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (Continued)

2.2 Impact of new and revised International Financial Reporting Standards (“IFRSs”) (Continued)

Amendments to IAS 16 and IAS38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group’s consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (Continued)

2.2 Impact of new and revised International Financial Reporting Standards (“IFRSs”) (Continued)

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (Continued)

2.2 Impact of new and revised International Financial Reporting Standards (“IFRSs”) (Continued)

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments do not have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES (Continued)

2.2 Impact of new and revised International Financial Reporting Standards (“IFRSs”) (Continued)

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

2.3 Issued but not yet effective IFRSs

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements.

IFRS 9	<i>Financial Instruments</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
IFRS 15	<i>Revenue from Contracts with Customers</i> ²
IFRS 16	<i>Leases</i> ³
Amendments to IAS 7	<i>Disclosure Initiative</i> ¹
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> ¹
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ²

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

3. OPERATING SEGMENT INFORMATION

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment.

Segment assets and liabilities mainly comprise operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended June 30, 2016

	Rail transportation control system RMB'000	Construction contracting RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	12,276,314	1,959,627	110,748	—	14,346,689
Intersegment sales	1,558	176,063	39,123	(216,744)	—
	<u>12,277,872</u>	<u>2,135,690</u>	<u>149,871</u>	<u>(216,744)</u>	<u>14,346,689</u>
Segment profit	1,625,248	60,931	2,805	(22,549)	1,666,435
Other segment information					
Share of profits and losses of associates and joint ventures	27,646	(2,861)	—	—	24,785
Depreciation and amortisation	269,643	1,486	92	—	271,221
Impairment/(reversal of impairment) of trade receivables	(47,213)	2,887	539	—	(43,787)
Impairment of deposits and other receivables	50,301	65,163	—	—	115,464
Product warranty provision:					
Additional provision	42,891	—	—	—	42,891
Reversal of provision	(1,944)	—	—	—	(1,944)
Capital expenditure	412,101	5,748	43	—	417,892
As at 30 June 2016					
Segment assets	36,637,502	8,464,079	594,765	(213,487)	45,482,859
Segment liabilities	19,989,914	4,067,558	370,910	(117,254)	24,311,128
Other segment information					
Available-for-sale investments	62,709	—	—	—	62,709
Investments in associates and joint ventures	460,940	58,787	—	—	519,727

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and intangible assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended June 30, 2015

	Rail transportation control system RMB'000	Construction contracting RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	10,375,639	1,299,696	84,320	—	11,759,655
Intersegment sales	—	36,675	3,677	(40,352)	—
	10,375,639	1,336,371	87,997	(40,352)	11,759,655
Segment profit	1,121,913	60,153	7,965	(677)	1,189,354
Other segment information					
Share of profits and losses of associates and joint ventures	32,045	(227)	—	—	31,818
Depreciation and amortisation	261,690	2,640	176	—	264,506
Impairment of trade receivables	29,044	750	165	—	29,959
Impairment of deposits and other receivables	8,568	15,693	—	—	24,261
Product warranty provision:					
Additional provision	39,138	—	—	—	39,138
Reversal of provision	(979)	—	—	—	(979)
Capital expenditure	467,936	3,591	84	—	471,611
As at 31 December 2015					
Segment assets	34,408,539	7,441,082	601,692	(459,154)	41,992,159
Segment liabilities	18,810,159	3,497,454	382,656	(433,292)	22,256,977
Other segment information					
Available-for-sale investments	62,709	—	—	—	62,709
Investments in associates and joint ventures	369,334	53,647	—	—	422,981

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and intangible assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended June 30	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Rail transportation control system		
Design and integration	3,959,979	3,459,642
Equipment manufacturing	4,344,733	3,528,386
System implementation	3,971,602	3,387,611
	12,276,314	10,375,639
Construction contracting	1,959,627	1,299,696
Others	110,748	84,320
	14,346,689	11,759,655
Other income and gains		
Interest income	86,629	36,002
Government grants	26,930	46,950
Gains on disposal of items of property, plant and equipment, net	—	109
Others	35,347	6,437
	148,906	89,498

5. FINANCE COSTS

	Six months ended June 30	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	11,773	7,318
Interest on discounted bills receivable	1,596	977
	13,369	8,295

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

6. PROFIT BEFORE TAX

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

	Notes	Six months ended June 30	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Cost of sales		10,585,834	8,772,929
Depreciation of items of property, plant and equipment		165,825	168,273
Depreciation of investment properties		89	—
Amortisation of prepaid land lease payments		29,930	24,848
Amortisation of other intangible assets		75,377	71,385
Total depreciation and amortisation		<u>271,221</u>	<u>264,506</u>
Impairment/(reversal of impairment) of trade receivables		(43,787)	29,959
Impairment of deposits and other receivables		115,464	24,261
Write-down/(reversal of write-down) of inventories to net realisable value		(36)	19
Provision/(reversal of provision) for foreseeable losses on contracts		404	(2,906)
Lease expenses under operating leases of land and buildings		47,254	33,115
Auditors' remuneration		1,300	2,508
Employee benefit expenses (including Directors' and Supervisors' remuneration):			
Wages, salaries and allowances		1,051,361	924,707
Retirement benefit costs			
– Defined contribution retirement schemes		210,532	180,268
– Defined benefit retirement schemes and early retirement costs		10,579	23,747
Total retirement benefit costs		<u>221,111</u>	<u>204,015</u>
Welfare and other expenses		295,559	287,806
Research and development costs		440,515	404,773
Government grants	4	(26,930)	(46,950)
Product warranty provision:			
Additional provision		42,891	39,138
Reversal of provision		(1,944)	(979)
		<u>40,947</u>	<u>38,159</u>
Interest income	4	(86,629)	(36,002)
Losses/(gains) on disposal of items of property, plant and equipment, net	9	156	(109)
Losses/(gains) on forward commodity purchase contracts		(921)	1,903
Foreign exchange differences, net		<u>(19,117)</u>	<u>5,862</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

7. INCOME TAX EXPENSE

The Company and certain subsidiaries have been accredited as “high and new technology enterprises” and were entitled to a preferential income tax rate of 15% for the six months ended 30 June 2016 and 2015 respectively in accordance with the PRC Corporate Income Tax Law. Other entities within the Group in Mainland China have been subject to corporate income tax at the statutory rate of 25%.

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

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong during the six months ended 30 June 2016 and 2015.

	Six months ended June 30	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax - Mainland China:		
Charge for the period	340,249	277,116
Underprovision for the prior periods	7,511	11,818
Deferred income tax	(33,657)	(36,102)
Tax charge for the period	314,103	252,832

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

7. INCOME TAX EXPENSE (Continued)

A reconciliation of the income tax expense 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 six months ended 30 June 2016 and 2015 is as follows:

	Six months ended June 30	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	1,980,538	1,442,186
Income tax charge at the statutory income tax rate of 25%	495,135	360,547
Effect of the different income tax rates for some entities	(128,439)	(106,640)
Income not subject to tax	(16,384)	(764)
Expenses not deductible for tax purposes	13,336	14,809
Tax losses and deductible temporary differences not recognised	6,072	5,365
Utilisation of tax losses and deductible temporary differences not recognised in previous periods	(31,928)	(6,599)
Additional tax deduction for research and development costs	(24,864)	(11,141)
Tax effect of share of profits and losses of joint ventures and associates	(5,764)	(7,955)
Adjustments in respect of current tax of previous periods	7,511	11,818
Others	(572)	(6,608)
Tax charge for the period	314,103	252,832

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

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

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the six months ended 30 June 2016 and 2015.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2016 and 2015.

	Six months ended June 30	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent	<u>1,600,099</u>	<u>1,134,803</u>

	Six months ended June 30	
	2016 (Unaudited)	2015 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	<u>8,789,819,000</u>	<u>7,000,000,000</u>

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired property, plant and equipment with an aggregate cost amounting to approximately RMB193,946,000 (Unaudited) (six months ended 30 June 2015: RMB166,362,000 (Unaudited)).

In addition, during the same period, property, plant and equipment with an aggregate net carrying value of approximately RMB1,562,000 (Unaudited) (six months ended 30 June 2015: RMB1,794,000 (Unaudited)) were disposed of which resulted in a net loss on disposal of approximately RMB156,000 (Unaudited) (six months ended 30 June 2015: a net gain of RMB109,000 (Unaudited)).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

10. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	As at June 30, 2016 RMB'000 (Unaudited)	As at December 31, 2015 RMB'000 (Audited)
Amounts due from contract customers	7,812,066	5,904,875
Amounts due to contract customers	(3,514,550)	(3,998,934)
	<u>4,297,516</u>	<u>1,905,941</u>
	As at June 30, 2016 RMB'000 (Unaudited)	As at December 31, 2015 RMB'000 (Audited)
Contract costs incurred plus recognised profits less recognised losses to date	92,657,883	80,690,707
Less: Progress billings	(88,360,367)	(78,784,766)
	<u>4,297,516</u>	<u>1,905,941</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

11. 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

	Note	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Trade receivables		10,622,156	9,050,830
Provision for impairment		(501,579)	(545,395)
Trade receivables, net		10,120,577	8,505,435
Bills receivable		771,949	715,432
		10,892,526	9,220,867
Portion classified as non-current assets	(i)	(837,520)	(935,737)
Current portion		10,055,006	8,285,130

(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.

As at 30 June 2016 and 31 December 2015, the amounts of retentions held by customers for contract works included in trade receivables are as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Amounts of retentions in trade receivables	1,095,151	787,459

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

11. TRADE AND BILLS RECEIVABLES (Continued)

An aged analysis of the Group's trade and bills receivables, based on the billing date and net of provision for impairment of trade receivables, as at 30 June 2016 and 31 December 2015 is as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Within 1 year	8,563,926	6,966,725
1 to 2 years	1,432,462	1,393,856
2 to 3 years	582,366	522,564
Over 3 years	313,772	337,722
	<u>10,892,526</u>	<u>9,220,867</u>

The movements in provision for impairment of trade receivables are as follows:

	Six months ended 30 June 2016 RMB'000 (Unaudited)	Year ended 31 December 2015 RMB'000 (Audited)
At beginning of the period/year	545,395	433,582
Impairment losses recognised	65,351	172,139
Acquisitions of subsidiaries	—	21,888
Amounts written off as uncollectible	(29)	(792)
Impairment losses reversed	(109,138)	(81,422)
At end of the period/year	<u>501,579</u>	<u>545,395</u>

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of RMB132,098,000 (Unaudited) (31 December 2015: RMB 178,201,000) with an aggregate carrying amount before provision of RMB 207,121,000 (Unaudited) as at 30 June 2016 (31 December 2015: RMB 193,938,000).

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

11. TRADE AND BILLS RECEIVABLES (Continued)

An aged analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Neither past due nor impaired	2,018,180	1,774,673
Past due but not impaired:		
Less than 6 months past due	119,620	150,610
Over 6 months past due	113,784	52,772
	2,251,584	1,978,055

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 of the Company 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, a fellow subsidiary, associates and associates of fellow subsidiaries included in the trade receivables are as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
CRSC Corporation Group	77,266	77,266
A fellow subsidiary	251	251
Associates	750	370
Associates of fellow subsidiaries	10,662	3,108
Total	88,929	80,995

The above amounts are unsecured, non-interest-bearing and repayable on credit terms similar to those offered to other major customers of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Deposits and other receivables		1,914,427	1,621,723
Provision for impairment of deposits and other receivables		(151,586)	(36,122)
		<u>1,762,841</u>	<u>1,585,601</u>
Prepayments to suppliers		904,874	804,670
Prepayment for acquisition of prepaid land lease payments		219,839	204,810
Deductible input VAT		34,935	66,276
Dividend receivables		22,395	—
Other prepayments		—	12,982
		<u>2,944,884</u>	<u>2,674,339</u>
Portion classified as non-current assets	(i)	(279,839)	(208,125)
Current portion		<u>2,665,045</u>	<u>2,466,214</u>

Note:

- (i) The non-current portion of deposits and other receivables includes performance guarantee amounts held by customers as at 30 June 2016 and 31 December 2015.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The movements in provision for impairment of deposits and other receivables are as follows:

	Six months ended 30 June 2016 RMB'000 (Unaudited)	Year ended 31 December 2015 RMB'000 (Audited)
At beginning of the period/year	36,122	16,525
Impairment losses recognised	116,950	17,528
Acquisitions of subsidiaries	—	2,091
Impairment losses reversed	(1,486)	(21)
Amount written off as uncollectible	—	(1)
At end of the period/year	151,586	36,122

Included in the above provision for impairment of other receivables were provisions for individually impaired other receivables of RMB 109,478,000 (Unaudited) (31 December 2015: RMB 8,008,000) with an aggregate carrying amounts before provision of RMB 111,435,000 (Unaudited) as at 30 June 2016 (31 December 2015: RMB 8,029,000).

An aged analysis of the deposits and other receivables that are neither individually nor collectively considered to be impaired is as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Neither past due nor impaired	1,385,441	1,013,025
Past due but not impaired:		
Less than 6 months past due	101,361	161,121
Over 6 months past due	60,151	160,498
	1,546,953	1,334,644

The financial assets except for the deposits and other receivables above are neither past due or impaired and related to balances for which there was no recent history of default.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The amounts due from CRSC Corporation Group, fellow subsidiaries, a joint venture, associates, and a non-controlling shareholder's affiliates included in prepayments, deposits and other receivables are as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
CRSC Corporation Group	54,079	57,652
Fellow subsidiaries	2,851	2,704
A joint venture	91	7,371
Associates	3,564	1,536
A non-controlling shareholder's affiliates	24,143	24,143
Total	84,728	93,406

The above balances are unsecured, non-interest-bearing and have no fixed terms of settlement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Cash and bank balances	6,182,919	11,475,109
Time deposits	7,930,215	3,063,234
	14,113,134	14,538,343
Less: Pledged bank balances for performance guarantees and the issuance of bank's acceptance bills	(147,459)	(198,549)
Cash and cash equivalents in the condensed consolidated statement of financial position	13,965,675	14,339,794
Less: Non-pledged time deposits with original maturity of more than three months when acquired	(1,674,705)	(2,919,856)
Cash and cash equivalents in the condensed consolidated statement of cash flows	12,290,970	11,419,938
Cash and bank balances and time deposits denominated in		
– RMB	13,072,154	13,340,823
– Other currencies	1,040,980	1,197,520
	14,113,134	14,538,343

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

14. TRADE AND BILLS PAYABLES

	Note	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Trade payables		13,314,125	10,499,116
Bills payable		318,645	489,155
		<u>13,632,770</u>	<u>10,988,271</u>
Portion classified as non-current liabilities	(i)	<u>(24,013)</u>	<u>(34,024)</u>
Current portion		<u><u>13,608,757</u></u>	<u><u>10,954,247</u></u>

Note:

- (i) The non-current portion of trade payables mainly represents the amount of retentions payable to suppliers of the Group as at 30 June 2016 and 31 December 2015.

An aged analysis of the trade and bills payables as at 30 June 2016 and 31 December 2015, based on the invoice date, is as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Within 1 year	10,116,527	8,859,851
1 to 2 years	2,841,522	1,617,804
2 to 3 years	309,238	233,371
Over 3 years	365,483	277,245
	<u>13,632,770</u>	<u>10,988,271</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

14. TRADE AND BILLS PAYABLES (Continued)

The amounts due to fellow subsidiaries, an associate of CRSC Corporation Group, associates, associates of fellow subsidiaries, a joint venture and a non-controlling shareholder's affiliates included in the trade payables are as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Fellow subsidiaries	132,994	199,322
An associate of CRSC Corporation Group	1,176	2,627
Associates	120,910	53,484
Associates of fellow subsidiaries	46,539	60,958
A Joint venture	1,656	155
A non-controlling shareholder's affiliates	194,440	127,680
	<u>497,715</u>	<u>444,226</u>

The above balances are unsecured, non-interest-bearing and have no fixed terms of settlement.

15. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Advances from customers	1,981,998	1,992,433
Accrued salaries, wages and benefits	533,094	347,758
Other taxes payable	223,875	628,617
Dividends payable	16,927	792,969
Payables for acquisition of items of property, plant and equipment	385,441	597,222
Other payables	2,078,885	1,142,038
	<u>5,220,220</u>	<u>5,501,037</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

15. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS (Continued)

The amounts due to CRSC Corporation Group, fellow subsidiaries, an associate, an associate of a fellow subsidiary and a non-controlling shareholder's affiliates included in other payables, advances from customers and accruals are as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
CRSC Corporation Group	65,463	759,688
Fellow subsidiaries	2,736	1,174
An associate	216	—
An associate of a fellow subsidiary	170	14
A non-controlling shareholder's affiliates	11,504	63,753
	80,089	824,629

The above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

16. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	As at June 30, 2016 (Unaudited)			As at December 31, 2015 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current:						
Bank loans – unsecured	3.87-6.21	2016-2017	464,114	4.37-6.21	2016	429,300
Other borrowings – unsecured	3.30	2016	146	3.30	2016	146
			<u>464,260</u>			<u>429,446</u>
Non-current:						
Bank loans – unsecured	2.65	2018	200,000	5.60-6.21	2017	17,400
Other borrowings – unsecured	3.30-4.95	2020	20,436	3.30-4.95	2020	20,582
			<u>220,436</u>			<u>37,982</u>
Total			<u>684,696</u>			<u>467,428</u>
Interest-bearing bank loans and other borrowings denominated in:						
– RMB			<u>684,696</u>			<u>467,428</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

16. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (Continued)

The maturity profile of the interest-bearing bank loans and other borrowings as at 30 June 2016 and 31 December 2015 is as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Bank loans repayable:		
Within one year	464,114	429,300
In the second year	200,000	17,400
	<u>664,114</u>	<u>446,700</u>
Other borrowings repayable:		
Within one year	146	146
In the second to fifth years, inclusive	20,436	20,582
	<u>20,582</u>	<u>20,728</u>
	<u><u>684,696</u></u>	<u><u>467,428</u></u>

Other interest rate information:

	As at June 30, 2016 (Unaudited)		As at December 31, 2015 (Audited)	
	Fixed rate RMB'000	Floating rate RMB'000	Fixed rate RMB'000	Floating rate RMB'000
Bank loans:				
Unsecured	45,714	618,400	—	446,700
Other borrowings				
Unsecured	—	20,582	—	20,728
	<u>45,714</u>	<u>638,982</u>	<u>—</u>	<u>467,428</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

17. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for 5 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 30 June 2016 and 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its terms falling due as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Within one year	2,959	2,959
In the second to fifth years, inclusive	9,012	10,492
	11,971	13,451

As lessee

As at 30 June 2016 and 31 December 2015, the Group had the total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Within one year	19,114	23,090
In the second to fifth years, inclusive	16,899	15,820
	36,013	38,910

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

18. COMMITMENTS

The Group had the following capital commitments as at 30 June 2016 and 31 December 2015:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Contracted, but not provided for:		
Capital expenditure in respect of:		
– Property, plant and equipment	690,722	15,446
– Land use right	—	110,900
Investment in an associate	<u>525,000</u>	<u>—</u>
	<u>1,215,722</u>	<u>126,346</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

19. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties for the six months ended 30 June 2016 and 2015:

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Sales of products:		
CRSC Corporation Group	—	20,124
Associates	24,776	20,789
Associates of fellow subsidiaries	18,768	24,073
A joint venture	1,039	4,624
	<u>44,583</u>	<u>69,610</u>
Purchases of products:		
Fellow subsidiaries	31,230	35,693
An associate of CRSC Corporation Group	1,375	6,893
Associates	52,721	161,658
Associates of fellow subsidiaries	20,319	45,657
A joint venture	290	4,011
A non-controlling shareholder's affiliates	158,132	114,543
	<u>264,067</u>	<u>368,455</u>
Services provided to:		
An associate	82	2,972
A joint venture	—	3,213
	<u>82</u>	<u>6,185</u>
Services provided by:		
A fellow subsidiary	1,299	1,974
An associate of a fellow subsidiary	—	348
A non-controlling shareholder's affiliates	—	1,066
	<u>1,299</u>	<u>3,388</u>
Rental income received or receivable from:		
Associates of fellow subsidiaries	—	441
A joint venture	—	616
	<u>—</u>	<u>1,057</u>
Rental expenses paid or payable to:		
Fellow subsidiaries	171	271
Borrowings provided to:		
A joint venture	—	180,000
Interest income received or receivable by:		
A non-controlling shareholder	—	1,550

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

19. RELATED PARTY TRANSACTIONS (Continued)

- (a) 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 six months ended 30 June 2016 and 2015, 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 inventories and machinery. In the opinion of the Directors, the transactions with SOEs were 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.

- (b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 11, 12, 14 and 15 to the unaudited interim condensed consolidated financial statements.

- (c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	1,864	2,133
Pension scheme contributions	301	361
	2,165	2,494

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

19. RELATED PARTY TRANSACTIONS (Continued)

(d) Commitments with related parties

As at 30 June 2016 and 31 December 2015, the Group entered into several construction contracts and service contracts with related parties. The material commitments are as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Sales of products:		
Associates	43,398	19,247
Associates of fellow subsidiaries	—	3,819
	43,398	23,066
Purchases of products:		
Associates	19,258	26,034
Associates of fellow subsidiaries	1,946	4,402
A non-controlling shareholder's affiliates	22,587	79,293
Fellow subsidiaries	984	319
A joint venture	—	1,671
Total	44,775	111,719

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

20. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 30 June 2016 and 31 December 2015 are as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Financial assets		
Available-for-sale financial investments:		
Available-for-sale investments	62,709	62,709
Loans and receivables:		
Trade and bills receivables	10,892,526	9,220,867
Financial assets included in prepayments, deposits and other receivables	1,785,236	1,585,601
Pledged deposits	147,459	198,549
Cash and cash equivalents	13,965,675	14,339,794
	26,853,605	25,407,520
Financial liabilities		
Financial liabilities at amortised cost:		
Interest-bearing bank and other borrowings	684,696	467,428
Trade and bills payables	13,632,770	10,988,271
Financial liabilities included in other payables, advances from customers and accruals	2,481,253	2,532,229
	16,798,719	13,987,928

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values as at 30 June 2016 and 31 December 2015, are as follows:

	Carrying amount		Fair value	
	As at June 30 2016 RMB'000 (Unaudited)	As at December 31 2015 RMB'000 (Audited)	As at June 30 2016 RMB'000 (Unaudited)	As at December 31 2015 RMB'000 (Audited)
<u>Financial assets</u>				
Loans and receivables:				
Trade receivables, non-current portion	837,520	935,737	804,002	917,341
Financial assets included in prepayments, deposits and other receivables, non-current portion	60,000	3,315	55,748	3,072
	897,520	939,052	859,750	920,413
<u>Financial liabilities</u>				
Financial liabilities at amortised cost:				
Interest-bearing bank and other borrowings	684,696	467,428	677,501	466,261
Trade payables, non-current portion	24,013	34,024	23,175	33,172
	708,709	501,452	700,676	499,433

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Management has assessed that the fair values of cash and bank balances, 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. As at 30 June 2016 and 31 December 2015, 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 senior management twice a year for 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 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 30 June 2016 and 31 December 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:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Assets for which fair values are disclosed:

30 June 2016

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Trade receivables, non-current portion	—	804,002	—	804,002
Financial assets included in prepayments, deposits and other receivables, non-current portion	—	55,748	—	55,748
	—	859,750	—	859,750

31 December 2015

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Trade receivables, non-current portion	—	917,341	—	917,341
Financial assets included in prepayments, deposits and other receivables, non-current portion	—	3,072	—	3,072
	—	920,413	—	920,413

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy: (Continued)

Liabilities for which fair values are disclosed:

30 June 2016

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Trade payables, non-current portion	—	23,175	—	23,175
Interest-bearing bank and other borrowings	—	677,501	—	677,501
	—	700,676	—	700,676

31 December 2015

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Trade payables, non-current portion	—	33,172	—	33,172
Interest-bearing bank and other borrowings	—	466,261	—	466,261
	—	499,433	—	499,433

22. EVENTS AFTER THE REPORTING PERIOD

Until the approval date of the unaudited interim condensed consolidated financial statements, no material subsequent events of the Group were subject to disclosure.

23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 17 August 2016.

DEFINITION

“Board” or “Board of Directors”	the board of Directors of the Company
“China” or the “PRC”	the People’s Republic of China excluding, for the purpose of the interim report, Hong Kong, Macau and Taiwan
“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 refers to the controlling shareholder of the Company, being CRSC Corporation Group as of the Latest Practicable Date
“Corporate Communications”	as defined in Rule 1.01 of the Listing Rules, means the documents published or to be published by the Company for the reference of or for actions to be taken by any securities holder of the Company, including but not limited to: (a) annual report and its financial summary report (if applicable) (and including all reports and accounts to be included therein); (b) interim reports and the interim summary report (if applicable) (and including all reports and accounts to be included therein); (c) notices of meetings; (d) listing documents; (e) circulars; (f) proxy forms; and (g) reply slips
“CRSC” or “Group”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“CRSC 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, its sole Controlling Shareholder and one of the promoters of the Company
“Director(s)” or “our Director(s)”	the director(s) of the Company
“Domestic Shares”	ordinary shares issued by the Company, with a nominal value of RMB1.00, which are subscribed for or credited as paid in Renminbi
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“HK\$” or “HK dollars” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board (IASB)
“Latest Practicable Date”	August 17,, 2016, being the latest practicable date for the purposes of ascertaining certain information contained in the interim report

DEFINITION

“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)
“reporting period”	the six-month period ended June 30, 2016
“RMB” or “Renminbi”	Renminbi Yuan, the lawful currency of the PRC
“Senior Management”	the senior management of the Company
“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
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“subsidiary”	shall have the meanings given to it in the Hong Kong Listing Rules, unless the context otherwise requires
“substantial shareholder”	shall have the meanings given to it in the Hong Kong Listing Rules, unless the context otherwise requires
“Supervisors”	the supervisors of the Company