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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)

**CONNECTED TRANSACTION
DISPOSAL OF TARGET EQUITIES**

EQUITY TRANSFER AGREEMENTS

The Board hereby announces that for the purpose of consolidating resources, strengthening and focusing on the Company's principal business by disposing of certain related non-core business and assets, on June 10, 2019, CRSC Construction, a wholly-owned subsidiary of the Company, and CRSC Corporation Group entered into the Subsidiary Equity Transfer Agreement, pursuant to which, CRSC Construction agreed to dispose of and CRSC Corporation Group agreed to purchase 100% of the equity interests in CRSC Real Estate for a consideration of RMB253,896,600. On the same date, CRSC Innovative Investment, a wholly-owned subsidiary of the Company, and CRSC Corporation Group entered into an Investee Equity Transfer Agreement, pursuant to which, CRSC Innovative Investment agreed to dispose of and CRSC Corporation Group agreed to purchase 60% equity interests in Beijing CRSC Construction and 51% equity interests in CRSC Beifang Real Estate held by CRSC Innovative Investment for a consideration of RMB21,322,200.

Immediately after the completion of the Transactions, the Company will cease to directly or indirectly hold any equity interest in the Target Companies. CRSC Real Estate will therefore cease to be a subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CRSC Corporation Group holds 75.14% of the total issued share capital of the Company and is the controlling shareholder of the Company. Therefore, CRSC Corporation Group is a connected person of the Company under Chapter 14A of the Listing Rules. CRSC Construction and CRSC Innovative Investment are wholly-owned subsidiaries of the Company. Accordingly, the transaction carried out between CRSC Construction and CRSC Corporation Group under the Subsidiary Equity Transfer Agreement and the transaction carried out between CRSC Innovative Investment and CRSC Corporation Group under the Investee Equity Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

According to the Listing Rules, if a series of connected transactions will altogether be conducted or completed within the same 12-month period, or the relevant transactions are interconnected, then such transactions should be aggregated for calculation and are deemed to be handled as one transaction. Since the CRSC Corporation Group remains as the counterparty of the Transactions with the nature of the transactions identical, the transactions should be aggregated in calculation. After aggregated calculation, the highest applicable percentage ratio for the Transactions is more than 0.1% but less than 5%, therefore the Transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempted from the requirement of independent Shareholders' approval.

I. EQUITY TRANSFER AGREEMENTS

The Board hereby announces that for the purpose of consolidating resources, strengthening and focusing on the Company's principal business by disposing of certain related non-core business and assets, on June 10, 2019, CRSC Construction, a wholly-owned subsidiary of the Company, and CRSC Corporation Group entered into the Subsidiary Equity Transfer Agreement, pursuant to which, CRSC Construction agreed to dispose of and CRSC Corporation Group agreed to purchase 100% of the equity interests in CRSC Real Estate. On the same date, CRSC Innovative Investment, a wholly-owned subsidiary of the Company, and CRSC Corporation Group entered into an Investee Equity Transfer Agreement, pursuant to which, CRSC Innovative Investment agreed to dispose of and CRSC Corporation Group agreed to

purchase 60% equity interests in Beijing CRSC Construction and 51% equity interests in CRSC Beifang Real Estate held by CRSC Innovative Investment. The principal terms of the Equity Transfer Agreements are set out as follows:

Date: June 10, 2019

- Parties:**
- *Subsidiary Equity Transfer Agreement* :
 - (1) CRSC Construction (as “**Transferor**”)
 - (2) CRSC Corporation Group (as “**Transferee**”)
 - *Investee Equity Transfer Agreement* :
 - (1) CRSC Innovative Investment (as “**Transferor**”)
 - (2) CRSC Corporation Group (as “**Transferee**”)

Target Equities: Pursuant to the Subsidiary Equity Transfer Agreement, CRSC Construction agreed to dispose of and CRSC Corporation Group agreed to purchase 100% of the equity interests in CRSC Real Estate held by CRSC Construction;

Pursuant to the Investee Equity Transfer Agreement, CRSC Innovative Investment agreed to dispose of and CRSC Corporation Group agreed to purchase 60% equity interests in Beijing CRSC Construction and 51% equity interests in CRSC Beifang Real Estate held by CRSC Innovative Investment.

Considerations and payment arrangement: The consideration for the transaction under the Subsidiary Equity Transfer Agreement is RMB253,896,600 and the consideration for the transaction under the Investee Equity Transfer Agreement is RMB21,322,200, which shall be paid by the Transferee in cash to the Transferors. The Transferee shall pay the full amount of consideration to the Transferors by one-off payment within 5 business days from the effective date of Equity Transfer Agreements. From the appraisal record date (i.e., December 31, 2018) to the completion date of the Transactions, all profits or losses represented by the Target Equities shall be entitled and assumed by the Transferee.

**Basis for
determining the
consideration:**

The considerations for the Transaction were determined on the basis of the appraised value filed by CRSC Corporation Group.

Asset-based approach was adopted in this valuation. According to the valuation report issued by the asset valuation institution Wokesen (Beijing) International Appraisers Co., Ltd., taking December 31, 2018 as the appraisal record date, the total appraised value of the 100% equity interests in CRSC Real Estate held by CRSC Construction was RMB253,896,600, and the appraised value of the 60% equity interests in Beijing CRSC Construction and the 51% equity interests in CRSC Beifang Real Estate held by CRSC Innovative Investment was RMB21,322,200, and the total appraised value of the Target Equities was RMB275,218,800.

**Effect and
termination of the
Equity Transfer
Agreements:**

The Equity Transfer Agreements shall take effect upon the satisfaction of all of the following conditions:

- (1) The Equity Transfer Agreements have been duly signed and affixed with official seals by the respective legal or authorized representatives of the Transferors and Transferee;
- (2) The Transactions have been approved by CRSC Corporation Group.

Before the completion of the Transactions, agreed upon the negotiation between the Transferors and Transferee or the Equity Transfer Agreements cannot be subsequently performed due to force majeure, changes in laws, regulations and policies, or decisions of government authorities, the Equity Transfer Agreements shall be terminated. Upon termination of the Equity Transfer Agreements, the Transferors shall return to the Transferee the equity transfer consideration that has been received in accordance with the Equity Transfer Agreements, save for which the parties shall not assume any other responsibility for each other.

Closing: CRSC Real Estate, Beijing CRSC Construction and CRSC Beifang Real Estate shall commence to register the transfer of equity interests in the Administration for Industry and Commerce Bureau within 3 business days from the effective date of the Equity Transfer Agreements.

Immediately after the completion of the Transactions, the Company will cease to directly or indirectly hold any equity interests in CRSC Real Estate, Beijing CRSC Construction and CRSC Beifang Real Estate. CRSC Real Estate will therefore cease to be a subsidiary of the Company.

II INFORMATION ON TARGET COMPANIES

CRSC Real Estate

CRSC Real Estate is a limited liability company incorporated in the PRC on January 27, 2016. As at the date of this announcement, CRSC Real Estate is a wholly-owned subsidiary of CRSC Construction. The principal business scope of CRSC Real Estate includes real estate development and operation, industrial real estate development, urban and rural infrastructure construction and engineering and design of construction projects.

The audited total assets and net assets of CRSC Real Estate as at December 31, 2017 and December 31, 2018, which were prepared under the China Accounting Standards for Business Enterprises, are set out in the table as follows:

(Unit: RMB'0000)

	As with the parent company		On consolidated basis	
	As at December 31, 2017	2018	As at December 31, 2017	2018
Total assets	68,749.01	97,512.45	164,346.63	248,175.46
Net assets	9,426.87	8,133.46	4,679.10	(606.85)

The audited total revenue and losses of CRSC Real Estate for the two financial years ended December 31, 2017 and December 31, 2018, which were prepared under the China Accounting Standards for Business Enterprises, are set out in the table as follows:

	As with the parent company		On consolidated basis	
	For the year ended 31		For the year ended	
	December,		December 31,	
	2017	2018	2017	2018
Revenue	—	1.29	—	1.29
(Losses) before tax	(3,064.40)	(1,293.40)	(4,421.56)	(5,285.95)
(Losses) after tax	(3,064.40)	(1,293.40)	(4,421.56)	(5,285.95)

Beijing CRSC Construction

Beijing CRSC Construction is a limited liability company incorporated in the PRC on November 3, 2016. As at the date of this announcement, CRSC Innovative Investment holds 60% equity interests in Beijing CRSC Construction. The principal business scope of Beijing CRSC Construction includes real estate development and sales, general construction contracting, specialized contracting and property management.

The audited consolidated total assets and net assets of Beijing CRSC Construction as at December 31, 2017 and December 31, 2018, which were prepared under the China Accounting Standards for Business Enterprises, are set out in the table as follows:

	<i>(Unit: RMB'0000)</i>	
	As at December 31,	As at December 31,
	2017	2018
Total assets	3,172.65	3,286.89
Net assets	3,156.66	3,275.90

The audited consolidated total revenue and losses of Beijing CRSC Construction as at December 31, 2017 and December 31, 2018, which were prepared under the China Accounting Standards for Business Enterprises, are set out in the table as follows:

	<i>(Unit: RMB'0000)</i>	
	For the year ended	
	December 31,	
	2017	2018
Revenue	—	—
(Losses) before tax	(143.34)	(75.76)
(Losses) after tax	(143.34)	(75.76)

CRSC Beifang Real Estate

CRSC Beifang Real Estate is a limited liability company incorporated in the PRC on July 26, 2016. As at the date of this announcement, CRSC Innovative Investment holds 51% equity interests in CRSC Beifang Real Estate. The principal business scope of CRSC Beifang Real Estate includes real estate development and sales, general construction contracting, specialized contracting, labor subcontracting and property management.

The audited consolidated total assets and net assets of CRSC Beifang Real Estate as at December 31, 2017 and December 31, 2018, which were prepared under the China Accounting Standards for Business Enterprises, are set out in the table as follows:

	<i>(Unit: RMB'0000)</i>	
	As at December 31,	
	2017	2018
Total assets	677.74	389.26
Net assets	654.96	303.88

The audited consolidated total revenue and losses of CRSC Beifang Real Estate as at December 31, 2017 and December 31, 2018, which were prepared under the China Accounting Standards for Business Enterprises, are set out in the table as follows:

	<i>(Unit: RMB'0000)</i>	
	For the year ended	
	December 31,	
	2017	2018
Revenue	—	—
(Losses) before tax	(345.04)	(351.08)
(Losses) after tax	(345.04)	(351.08)

Note: CRSC Real Estate has subsidiaries, the consolidated data of which is different from the data as with the parent company and therefore separate disclosures are made on different basis. Beijing CRSC Construction and CRSC Beifang Real Estate have no subsidiary, the consolidated data of which is the same as the data as with the parent company and therefore no separate disclosure is made.

III. FINANCIAL IMPACT OF THE EQUITY TRANSFER AGREEMENTS

Immediately after the completion of the Transactions, the Company will cease to directly or indirectly hold any equity interest in the Target Companies. CRSC Real Estate will therefore cease to be a subsidiary of the Company, and its financial data will no longer be consolidated into the financial statements of the Group.

According to the valuation report issued by the asset valuation institution Wokesen (Beijing) International Appraisers Co., Ltd., taking December 31, 2018 as the appraisal record date, the appraised value of net assets of CRSC Real Estate is RMB253,896,600, representing an increase of RMB172,562,000 as compared to the consolidated net assets of the parent company for the same period, and representing an increase of RMB259,965,100 as compared to the net assets on consolidated basis for the same period. The appraised value of net assets of Beijing CRSC Construction is RMB32,731,800, representing a decrease of RMB27,200 as compared to the net assets for the same period. The appraised value of net assets of CRSC Beifang Real Estate is RMB3,300,200, representing an increase of RMB261,400 as compared to the net assets for the same period. After deducting the net book value and tax expenses from the actual transaction value, the net gain from the Transactions will be approximately RMB 260,080,000 (excluding the profits or losses generated or incurred by CRSC Real Estate, Beijing CRSC Construction and CRSC Beifang Real Estate subsequent to December 31, 2018), and the amount of such net gain is subject to review or audit by the auditor of the Company.

The Company expects that the net proceeds from the Transactions will be used for strengthening and developing rail transportation control system business of the Company.

IV. REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENTS

Given the property development business conducted by the Target Companies is substantially different in the various aspects of sales, customers and operation methods from the rail transportation control system business which is the principal business of the Company, for the purpose of consolidating resources and strengthening and focusing on the Company's principal business, the Company plans to dispose of non-core business and assets related to property development, so as to fully utilize its own advantages of a leading enterprise in the rail transportation control system business and focus on the principal business and the basic requirement of promoting high quality development. Active efforts will be dedicated to revitalize existing resources and optimize additional resources for further enhancing operating efficacy, expanding and strengthening the core business of the Company, increasing efforts for technological innovation and upgrade, as well as enhancing core competitiveness and capabilities for sustainable development of the Company.

The Directors (excluding Directors required to abstain from voting but including the independent non-executive Directors) are of the view that the terms of the Transactions contemplated under Equity Transfer Agreements are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

V. INFORMATION ON PARTIES OF EQUITY TRANSFER AGREEMENT

CRSC Construction

CRSC Construction is a limited liability company incorporated in the PRC on March 14, 2016 and a wholly-owned subsidiary of the Company. The principal business scope of CRSC Construction includes construction engineering of railways, roads, tunnels and bridges, municipal utility projects and housing construction projects engineering.

CRSC Innovative Investment

CRSC Innovative Investment is a limited liability company incorporated in the PRC on September 21, 2012, and is a wholly-owned subsidiary of the Company. The principal business scope of CRSC Innovative Investment include project investment, investment management, assets management, investment consultation, specialized contracting, labor subcontracting and general construction contracting.

CRSC Corporation Group

CRSC Corporation Group is a wholly state-owned enterprise approved to be established by the former Ministry of Railway of the PRC (中華人民共和國鐵道部) on May 8, 1981 and registered in the PRC on January 7, 1984, and is the sole controlling shareholder and one of the promoters of the Company. The principal business of CRSC Corporation Group includes manufacturing of accessory parts and provision of services and provision of property leasing services for the Group.

VI. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CRSC Corporation Group holds 75.14% of the total issued share capital of the Company and is the controlling shareholder of the Company. Therefore, CRSC Corporation Group is a connected person of the Company under Chapter 14A of the Listing Rules. CRSC Construction and CRSC Innovative Investment are wholly-owned subsidiaries of the Company. Accordingly, the transaction carried out between CRSC Construction and CRSC Corporation Group under the Subsidiary Equity Transfer Agreement and the transaction carried out between CRSC Innovative Investment and CRSC Corporation Group under the Investee Equity Transfer Agreement will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

According to the Listing Rules, if a series of connected transactions will be altogether conducted or completed within the same 12-month period, or the relevant transactions are interconnected, then such transactions should be aggregated for calculation and are deemed to be handled as one transaction. Since the CRSC Corporation Group remains as the counterparty of the Transactions with the nature of the transactions identical, the Transactions should be aggregated in calculation. After aggregated calculation, the highest applicable percentage ratio for the Transactions is more than 0.1% but less than 5%, therefore the Transactions subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempted from the requirement of independent Shareholders' approval.

As the Chairman ZHOU Zhiliang, Director YIN Gang and Director YANG Yongsheng respectively serve as directors in CRSC Corporation Group, they have material interests in the Transactions and have abstained from voting on the proposal of the Transactions at the Board meeting. Save as disclosed above, none of Directors has any material interests in the Transactions or has abstained from voting on the Board resolution approving the Transactions.

VII. DEFINITION

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

“Beijing CRSC Construction”	Beijing CRSC Construction and Development Co., Ltd.* (北京通號建設開發有限公司), a limited liability company incorporated in the PRC on November 3, 2016. As at the date of this announcement, CRSC Innovative Investment holds 60% equity interests in Beijing CRSC Construction
“Board”	the board of Directors of the Company
“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
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules

“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“CRSC Beifang Real Estate”	Beijing CRSC Beifang Real Estate Co., Ltd.* (北京通號北房置業有限公司), a limited liability company incorporated in the PRC on July 26, 2016. As at the date of this announcement, CRSC Innovative Investment holds 51% equity interests in CRSC Beifang Real Estate
“CRSC Construction”	CRSC Construction Group Co., Ltd.* (通號建設集團有限公司), a limited liability company incorporated under the laws of the PRC on March 14, 2016 and a wholly-owned subsidiary of the Company
“CRSC Corporation Group”	China Railway Signal & Communication Corporation (中國鐵路通信信號集團公司), a wholly state-owned enterprise approved to be established by the former Ministry of Railway of the PRC (中華人民共和國鐵道部) on May 8, 1981 and registered in the PRC on January 7, 1984, sole controlling shareholder and one of the promoters of the Company
“CRSC Innovative Investment”	CRSC Innovative Investment Co., Ltd.* (通號創新投資有限公司), a limited liability company incorporated in the PRC on September 21, 2012, and a wholly-owned subsidiary of the Company
“CRSC Real Estate”	CRSC Real Estate Co., Ltd.* (通號置業有限公司), a limited liability company incorporated in the PRC on January 27, 2016. At the date of this announcement, CRSC Real Estate is a wholly-owned subsidiary of CRSC Construction
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreements”	the Subsidiary Equity Transfer Agreement and the Investee Equity Transfer Agreement, collectively

“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
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Investee Equity Transfer Agreement”	the equity transfer agreement dated June 10, 2019 entered into between CRSC Innovative Investment and CRSC Corporation Group, pursuant to which, CRSC Innovative Investment agreed to dispose of and CRSC Corporation Group agreed to purchase 60% equity interests in Beijing CRSC Construction and 51% equity interests in CRSC Beifang Real Estate
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“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)
“subsidiaries”	has the meaning ascribed thereto under the Listing Rules
“Subsidiary Equity Transfer Agreement”	the equity transfer agreement dated June 10, 2019 entered into between CRSC Construction and CRSC Corporation Group, pursuant to which, CRSC Construction agreed to dispose of and CRSC Corporation Group agreed to purchase 100% of the equity interests in CRSC Real Estate

“Target Companies”	CRSC Real Estate, Beijing CRSC Construction and CRSC Beifang Real Estate
“Target Equities”	100% of the equity interests in CRSC Real Estate held by CRSC Construction , 60% equity interest in Beijing CRSC Construction and 51% equity interests in CRSC Beifang Real Estate held by CRSC Innovative Investment
“Transactions”	pursuant to the Equity Transfer Agreements, CRSC Construction agreed to dispose of and CRSC Corporation Group agreed to purchase 100% of the equity interests in CRSC Real Estate, and CRSC Innovative Investment agreed to dispose of and CRSC Corporation Group agreed to purchase 60% equity interests in Beijing CRSC Construction and 51% equity interests in CRSC Beifang Real Estate
“Transferor”	CRSC Construction (in terms of the subsidiary Equity Transfer Agreement) and CRSC Innovative Investment (in terms of the Investee Equity transfer Agreement)
“Transferee”	CRSC Corporation Group
“%”	%

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

Beijing, the PRC
June 10, 2019

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

** For identification purpose only.*