
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

If you have sold or transferred all your shares in China Railway Signal & Communication Corporation Limited*, you should at once hand this circular and the enclosed revised form of proxy for the AGM dispatched on 15 May 2020, the form of proxy for H Shareholders Class Meeting dispatched on 21 April 2020 and the reply slips dispatched on 21 April 2020 to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).



中国通号

中國鐵路通信信號股份有限公司

China Railway Signal & Communication Corporation Limited*

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

(Stock Code: 3969)

- (1) WORK REPORT OF THE BOARD OF DIRECTORS FOR 2019**
- (2) WORK REPORT OF THE SUPERVISORY COMMITTEE FOR 2019**
- (3) 2019 ANNUAL REPORT**
- (4) FINANCIAL REPORT FOR 2019**
- (5) APPOINTMENT OF AUDITOR FOR 2020**
- (6) APPOINTMENT OF INTERNAL CONTROL AUDITOR FOR 2020**
- (7) ESTIMATIONS ON ORDINARY RELATED PARTY TRANSACTIONS FOR 2020-2022**
- (8) PROFITS DISTRIBUTION PLAN FOR 2019**
- (9) REMUNERATIONS FOR DIRECTORS AND SUPERVISORS OF THE COMPANY IN 2019**
- (10) CHANGE IN THE USE OF PROCEEDS RAISED FROM H SHARES**
- (11) GENERAL AUTHORIZATION FOR THE ISSUANCE OF DEBT FINANCING INSTRUMENTS**
- (12) AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND THE RULES OF PROCEDURE FOR THE GENERAL MEETINGS AND**
- (13) REVISED NOTICE OF 2019 ANNUAL GENERAL MEETING**
- (14) NOTICE OF 2020 FIRST H SHAREHOLDERS CLASS MEETING**

A letter from the Board is set out on pages 4 to 31 of this circular.

The AGM and Shareholders Class Meetings of the Company will be held at 10:00 a.m. on Tuesday, 9 June 2020 at Meeting Room, Building A, CRSC Building, 1 Compound, Automobile Museum South Road, Fengtai District, Beijing, the PRC. The revised notice to convene the AGM has been dispatched on 15 May 2020 and is set out on pages 32 to 35 of this circular. The notice to convene H Shareholders Class Meeting has been dispatched on 21 April 2020, and is set out on pages 36 to 37 of this circular. The revised form of proxy for use at the AGM is also enclosed. The revised form of proxy for the AGM and the form of proxy for the H Shareholders Class Meeting are also published on the HKEXnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.crsc.cn).

Whether or not you propose to attend the AGM and/or H Shareholders Class Meeting, H Shareholders of the Company are requested to complete the revised form of proxy for the AGM and/or the form of proxy for the H Shareholders Class Meeting in accordance with the instruction printed thereon and return them to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 24 hours before the time appointed for the holding of the AGM and/or Shareholders Class Meetings or any adjournment thereof, i.e. not later than 10:00 a.m. on Monday, 8 June 2020. Completion and return of the revised form of proxy for the AGM and/or the form of proxy for the H Shareholders Class Meeting will not preclude you from attending and voting in person at the AGM and/or the H Shareholders Class Meeting or any adjournment thereof if you so wish. If you propose to attend the AGM and/or H Shareholders Class Meeting in person or by proxy, you are requested to complete the reply slips dispatched on 21 April 2020 in accordance with the instruction printed thereon and return the same on or before Wednesday, 20 May 2020.

* *For identification purpose only.*

15 May 2020

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DEFINITIONS

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

“A Share(s)”	ordinary Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are traded in RMB and listed on the Shanghai Stock Exchange
“A Shareholder(s)”	holders of A Shares of the Company
“A Shareholders Class Meeting”	the 2020 first A Shareholders Class Meeting of the Company to be convened and held on Tuesday, 9 June 2020 immediately following the conclusion of the AGM (or any adjournment thereof) at Meeting Room, Building A, CRSC Building, 1 Compound, Automobile Museum South Road, Fengtai District, Beijing, the PRC
“AGM”	the annual general meeting of the Company for the year 2019 to be convened and held at 10:00 a.m. on Tuesday, 9 June 2020 at Meeting Room, Building A, CRSC Building, 1 Compound, Automobile Museum South Road, Fengtai District, Beijing, the PRC
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“Board” or “Board of Directors”	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)
“CRSC Group” or “CRSC Corporation Group”	China Railway Signal and Communication (group) Corporation Limited
“Director(s)”	the director(s) of the Company
“Global Offering”	the Hong Kong Public Offering and International Offering and the listing on the Main Board of the Stock Exchange in relation to H Shares of the Company, details of which are set out in the prospectus
“Group”	the Company and its subsidiaries

DEFINITIONS

“H Share(s)”	overseas listed foreign shares in the Company’s ordinary share capital with a nominal value of RMB1.00 each, being subscribed for and traded in HK dollars and listed on the Stock Exchange
“H Shareholder(s)”	holder(s) of H Shares of the Company
“H Shareholders Class Meeting”	the 2020 first H Shareholders Class Meeting of the Company to be convened and held on Tuesday, 9 June 2020 immediately following the conclusions of the AGM and A Shareholders Class Meeting (or any adjournment thereof) at Meeting Room, Building A, CRSC Building, 1 Compound, Automobile Museum South Road, Fengtai District, Beijing, the PRC
“HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	12 May 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“PRC”	the People’s Republic of China, which for the purposes of this circular excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“proceeds” or “proceeds raised from H Shares”	the net proceeds from the Global Offering of the Company
“prospectus”	the H Share prospectus of the Company dated 28 July 2015
“RMB”	Renminbi, the lawful currency of the PRC
“Rules of Procedure for the General Meetings”	Rules of Procedure for the General Meetings of China Railway Signal & Communication Corporation Limited* (as amended from time to time)

DEFINITIONS

“Share(s)”	A Share(s) and/or H Share(s)
“Shareholder(s)”	A Shareholder(s) and/or H Shareholder(s) of the Company
“Shareholders Class Meeting(s)”	collective term for A Shareholders Class Meeting and H Shareholders Class Meeting
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“%”	Percent

LETTER FROM THE BOARD



中国通号

中國鐵路通信信號股份有限公司

China Railway Signal & Communication Corporation Limited*

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

(Stock Code: 3969)

Chairman of the Board and Executive Director:

Mr. ZHOU Zhiliang

Executive Directors:

Mr. XU Zongxiang

Mr. YANG Yongsheng

Independent non-executive Directors:

Mr. WANG Jiajie

Mr. CHEN Jin'en

Mr. CHAN Ka Keung Peter

Mr. YAO Guiqing

Registered address:

20th Floor, Building A

CRSC Building

1 Compound, Automobile

Museum South Road

Fengtai District

Beijing, PRC

*Principal place of business
in the PRC:*

CRSC Building

1 Compound, Automobile

Museum South Road

Fengtai District

Beijing, PRC

*Principal place of business
in Hong Kong:*

40th Floor, Sunlight Tower

248 Queen's Road East

Wan Chai

Hong Kong

To the Shareholders

- (1) WORK REPORT OF THE BOARD OF DIRECTORS FOR 2019
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- (12) AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND
THE RULES OF PROCEDURE FOR THE GENERAL MEETINGS

* For identification purpose only.

LETTER FROM THE BOARD

I. INTRODUCTION

The AGM and Shareholders Class Meetings of the Company will be held at 10:00 a.m. on Tuesday, 9 June 2020 at Meeting Room, Building A, CRSC Building, 1 Compound, Automobile Museum South Road, Fengtai District, Beijing, the PRC. The revised notice of convening AGM has been dispatched on 15 May 2020 and is set out on pages 32 to 35 of this circular. The notice of convening H Shareholders Class Meeting has been dispatched on 21 April 2020 and is set out on pages 36 to 37 of this circular.

The purpose of this circular is to provide you with details of the resolutions to be proposed for you to consider and approve as ordinary resolutions or special resolutions, as the case may be, at the AGM and/or Shareholders Class Meetings and provide relevant information to enable you to make an informed decision on whether to vote for or against or abstain from voting at those resolutions. Such resolutions and details are set out in the letter from the Board.

For reference only, the notice of the AGM and the A Shareholders Class Meeting for holders of A Shares and the announcement on adding ad hoc proposal have been published on the website of Shanghai Stock Exchange (<http://www.sse.com.cn/>) on Monday, 20 April 2020 and Thursday, 14 May 2020, respectively.

II. MATTERS TO BE RESOLVED AT THE AGM AND/OR SHAREHOLDERS CLASS MEETINGS

Ordinary Resolutions

1. *Work Report of the Board of Directors for 2019*

An ordinary resolution will be proposed at the AGM to approve the work report of the Board of Directors for 2019, the full text of which was included in the 2019 annual report of the Company published on the HKEXnews website of the Stock Exchange and the Company's website on 20 April 2020.

2. *Work Report of the Supervisory Committee for 2019*

An ordinary resolution will be proposed at the AGM to approve the work report of the Supervisory Committee for 2019, the full text of which is set out in Appendix I to this circular.

3. *2019 Annual Report*

An ordinary resolution will be proposed at the AGM to approve the 2019 annual report, the full text of which was published on the HKEXnews website of the Stock Exchange and the Company's website on 20 April 2020.

LETTER FROM THE BOARD

4. *Financial Report for 2019*

An ordinary resolution will be proposed at the AGM to approve the financial report for 2019.

The Company has prepared the 2019 financial statements and notes, and has appointed Ernst & Young Hua Ming LLP to audit the Company's financial statements as of 31 December 2019. Ernst & Young Hua Ming LLP considered that the Company's financial statements were prepared in compliance with the provisions of the Enterprise Accounting Standards formulated by the Ministry of Finance of the PRC in all material aspects, which fairly reflected the Company's consolidated financial position and the Company's financial position on 31 December 2019, and the consolidated operating results, the operating results of the Company, the combined cash flows and the Company's cash flows of 2019. Details of the above statements are set out in the Company's 2019 annual report published on the HKEXnews website of the Stock Exchange and the website of the Company on 20 April 2020.

5. *Appointment of Auditor for 2020*

An ordinary resolution will be proposed at the AGM to approve the appointment of auditor for 2020.

According to the relevant laws and regulations and the Articles of Association, the Company needs to appoint an accounting firm to audit the Company's annual financial report in accordance with applicable accounting standards. The Company intends to appoint Ernst & Young Hua Ming LLP as the Company's financial statements auditor for 2020, with a term of one year. It is also proposed to the Shareholders' general meeting to authorize the Board to determine the 2020 annual audit fee according to the specific workload of the auditor and the market price level.

6. *Appointment of Internal Control Auditor for 2020*

An ordinary resolution will be proposed at the AGM to approve the appointment of internal control auditor for 2020.

According to Basic Standards of Enterprise Internal Control (《企業內部控制基本規範》) and the Ancillary Guidance on Enterprise Internal Control (《企業內部控制配套指引》) issued by five authorities including the Ministry of Finance of the PRC and China Securities Regulatory Commission and the information disclosure requirements for listed companies on the Science and Technology Innovation Board of the Shanghai Stock Exchange, since 2020, the Company needs to appoint qualified accounting firm to conduct annual audit on its internal control and disclose the underlying audit report. The Company intends to appoint Ernst & Young Hua Ming LLP as the Company's internal control auditor for 2020, with a term of one year. It is also proposed to the Shareholders' general meeting to authorize the Board to determine the 2020 annual internal control audit fee according to the specific workload of the internal control auditor and the market price level.

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7. *Estimations on Ordinary Related Party Transactions for 2020-2022*

An ordinary resolution will be proposed at the AGM to approve the estimations on ordinary related party transactions for 2020-2022. Please refer to Appendix II to this circular for the main contents of the estimations on ordinary related party transactions for 2020-2022. According to applicable PRC laws and regulations, a proposal for the aforesaid related party transactions shall be submitted to the general meeting of the Company for voting by the Shareholders. If any of the aforesaid related party transactions constitutes a “connected transaction” under Chapter 14A of the Listing Rules and is no longer entitled to relevant exemptions, the Company shall perform relevant compliance obligations (including but not limited to declaration, announcement, annual review and/or independent shareholders’ approval) in strict accordance with Chapter 14A of the Listing Rules.

Reference is made to the Company’s announcement dated 25 March 2020 in relation to, among others, the New CRSC Corporation Group Purchases and Sales Framework Agreement entered into between the Company and CRSC Corporation Group. In accordance with the relevant requirements under Chapter 14A of the Listing Rules, the continuing connected transactions under each of the New CRSC Corporation Group Purchases and Sales Framework Agreement would be subject to the reporting, annual review and announcement requirements, but exempted from the independent Shareholders’ approval requirement.

Set out below is further information on the pricing policy and relevant internal control procedures in relation to the New CRSC Corporation Group Purchases and Sales Framework Agreement.

Pricing Policy

The pricing of the products purchased by the Group from CRSC Corporation Group and/or its associates under the New CRSC Corporation Group Purchases and Sales Framework Agreement will be determined based on a cost-plus method by adding reasonable profit, with reference to average level in the industry, over reasonable costs including purchasing costs of materials, labour costs, manufacturing costs, management costs, transportation and packaging costs incurred. The net profit margin ranges from approximately 10% to 15%. To ensure that the pricing of the products provided by CRSC Corporation Group will be no less favourable than those offered to our Group by independent third parties, our Group will collect and review quotes offered by at least two other independent third parties for products of the same type or similar quality for comparison.

The pricing of products provided by the Group to CRSC Corporation Group and/or its associates under the New CRSC Corporation Group Purchases and Sales Framework Agreement will be by reference to and subject to the contractual terms agreed between CRSC Corporation Group and/or its associates and the contractual party of the overseas project. CRSC Corporation Group will purchase products from the Group at the price agreed between itself and the contractual party of the overseas project and supply the same to the contractual party of the overseas project without making any profit. The overseas project is expected to be completed in 2022.

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Internal Control Procedures and Corporate Governance Measures

Among internal control and corporate governance measures adopted by the Company in its daily operation to regulate the performance of its connected transactions, the following procedures and measures were adopted by the Company in order to ensure that the pricing of the products under the New CRSC Corporation Group Purchases and Sales Framework Agreement is no less favourable than those offered to or provided by independent third parties:

1. The Company has formulated the Procurement Administrative Measures of China Railway Signal & Communication Corporation Limited* (《中國鐵路通信信號股份有限公司採購管理辦法》), which set out the review policy and management mechanism for pricing of transactions conducted by the Group. The Group's pricing management department is responsible for reviewing the reasonableness, truthfulness and accurateness of the applications of procurement pricing together with relevant materials submitted by the procurement department. When assessing the fairness of the relevant procurement prices, the Group's pricing management department shall refer to the set procurement principles and take various measures such as cost calculation and independent consultations. The person in charge of pricing management department of the Group is responsible for approving procurement pricing caps, which will be recorded in the Group's internal information system by relevant staff for implementation by business departments;
2. The Company's sales department, project management department and finance department are responsible for constantly monitoring and reviewing the procurement and sales prices of products to ensure that the pricing of products complies with the principles set out in the New CRSC Corporation Group Purchases and Sales Framework Agreement;
3. The Company's internal audit department is responsible for monitoring and inspecting on the implementation of pricing, and examining and assessing whether the products have been sold or procured on normal or comparable commercial terms by comparing against procurement pricing and budget implementations of products offered by or to CRSC Corporation Group and those available from or to independent third parties in the market. If the Company's internal audit department is of the view that the prices of the products offered by or to CRSC Corporation Group is less favourable than that available from or to independent third parties, it will report the issue to the management of the Company in order to re-consider and re-negotiate the prices of the procurement; and

LETTER FROM THE BOARD

4. The Company's marketing department will conduct industry researches and price quotations every half year to obtain the latest industry standard, market price and breakdowns of costs of different kinds of products, constantly updating the reference resources in the Group's database so as to assess whether the pricing of products under the New CRSC Corporation Group Purchases and Sales Framework Agreement are on normal commercial terms.

Based on the above principles as well as the on-going internal control procedures and corporate governance measures adopted by the Company, the Directors (including the independent non-executive Directors) consider that the pricing policy of the New CRSC Corporation Group Purchases and Sales Framework Agreement can ensure that the transactions contemplated thereunder will be conducted on normal commercial terms.

8. Profits Distribution Plan for 2019

An ordinary resolution will be proposed at the AGM to approve profits distribution plan for 2019 of the Company.

As audited by Ernst & Young Hua Ming LLP, the Company's audited consolidated net profit attributable to the owners of the parent company for 2019 was RMB3,815.875 million. After deducting the statutory surplus reserve of RMB226.132 million for 2019 which shall be withdrawn by the parent company and its subsidiaries in accordance with the Articles of Association, the actual profit available for distribution in 2019 was RMB3,589.743 million.

The Board of Directors reviewed and approved the Profits Distribution Plan for 2019 of the Company on 25 March 2020. According to the Profits Distribution Plan of the Company, the dividend for 2019 is proposed to be distributed to all Shareholders in cash at RMB0.2 per Share (tax inclusive) by the Company based on the total issued share capital of 10,589,819,000 Shares after A + H Shares listing. In particular: domestic Shareholders will be paid in RMB; H Shareholders will be paid in HK dollars. The exchange rate of HK dollars will be calculated in accordance with the average closing price for foreign exchange published by the People's Bank of China at the three working days prior to the date on which the dividend is declared. A total cash dividend of RMB2,117,963,800 will be distributed, accounting for 55.5% of the net profit attributable to the owners of the parent company in the consolidated statements of the Company for 2019. If the total share capital of the Company changes before the record date(s) for the implementation of the equity distribution, the Company intends to maintain the distribution amount per Share unchanged and adjust the total distribution amount accordingly. Independent Directors of the Company performed duties diligently and carefully reviewed and expressed independent opinions on the proposal concerning cash dividend policies.

LETTER FROM THE BOARD

It is also proposed at the AGM to authorize the Board to implement the general matters relating to the profit distribution unconditionally, and the Board to further authorize the Chairman of the Board and President of the Company for specific implementation, and to deal with the matters relating to tax withholding in accordance with the requirements of relevant laws, regulations and regulatory authorities.

If the proposal is approved by the AGM upon consideration, the said cash dividend will be distributed on 15 July 2020 to H Shareholders whose names appear on the Company's register of Shareholders on Monday, 22 June 2020.

In order to ascertain the entitlements of the Shareholders to receive a proposed cash dividend, transfer of Shares will be closed from Monday, 15 June 2020 to Monday, 22 June 2020 (both days inclusive). To be eligible to receive the aforesaid cash dividend, the transfer documents must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for H Shareholders of the Company no later than 4:30 p.m. on Friday, 12 June 2020.

Withholding and Payment of Cash Dividend Income Tax on behalf of Shareholders

Cash dividend income tax applicable to overseas Shareholders

Withholding and Payment of PRC Enterprise Income Tax ("EIT") on behalf of Overseas Non-Resident Enterprise Shareholders

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

LETTER FROM THE BOARD

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

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

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

LETTER FROM THE BOARD

Cash dividend income tax applicable to Shareholders in Mainland China investing in H Shares of the Company through Southbound Trading Link

Withholding and Payment of Individual Income Tax on behalf of Domestic Individual Shareholders Investing through Southbound Trading Link

- Shanghai – Hong Kong Stock Connect: Pursuant to the Notice on Tax Policies for Shanghai – Hong Kong Stock Connect Pilot Program (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), for domestic individual Shareholders who invest in H Shares of the Company through Shanghai – Hong Kong Stock Connect (such H Shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as nominee Shareholder), the Company will withhold and pay individual income tax at the rate of 20% on their behalf in the distribution of the cash dividend. For domestic Shareholders who are securities investment funds investing in H Shares of the Company through Shanghai – Hong Kong Stock Connect (such H Shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as nominee Shareholder), the Company will withhold and pay individual income tax at the rate of 20% on their behalf in the distribution of the cash dividend.
- Shenzhen – Hong Kong Stock Connect: Pursuant to the Notice on Tax Policies for Shenzhen – Hong Kong Stock Connect Pilot Program (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for domestic individual Shareholders who invest in H Shares of the Company through Shenzhen – Hong Kong Stock Connect (such H Shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as nominee Shareholder), the Company will withhold and pay individual income tax at the rate of 20% on their behalf in the distribution of the cash dividend. For domestic Shareholders who are securities investment funds investing in H Shares of the Company through Shenzhen – Hong Kong Stock Connect (such H Shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as nominee Shareholder), the Company will withhold and pay individual income tax at the rate of 20% on their behalf in the distribution of the cash dividend.

No Withholding and Payment of EIT on behalf of Domestic Enterprise Shareholders Investing through Southbound Trading Link

- Shanghai – Hong Kong Stock Connect: Pursuant to the Notice on Tax Policies for Shanghai – Hong Kong Stock Connect Pilot Program (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), for domestic enterprise Shareholders who invest in H Shares of the Company through Shanghai – Hong Kong Stock Connect (such H Shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and

LETTER FROM THE BOARD

Clearing Corporation Limited as nominee Shareholder), the Company will not withhold or pay EIT on their behalf in the distribution of cash dividends, and the domestic enterprise Shareholders shall report and pay the relevant taxes payable by themselves. Any dividend received in respect of H Shares of the Company which have been continuously held by a domestic enterprise Shareholder for 12 months shall be exempted from EIT.

- Shenzhen – Hong Kong Stock Connect: Pursuant to the Notice on Tax Policies for Shenzhen – Hong Kong Stock Connect Pilot Program (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for domestic enterprise Shareholders who invest in H Shares of the Company through Shenzhen – Hong Kong Stock Connect (such H Shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as nominee Shareholder), the Company will not withhold or pay EIT on their behalf in the distribution of cash dividends, and the domestic enterprise Shareholders shall report and pay the relevant taxes payable by themselves. Any dividend received in respect of H Shares of the Company which have been continuously held by a domestic enterprise Shareholder for 12 months shall be exempted from EIT.

H Shareholders of the Company are recommended to consult their own tax advisors on the relevant tax impact in China, Hong Kong and other countries (regions) on the possession and disposal of H Shares of the Company.

The time arrangement such as record date and the cash payment date of Shanghai – Hong Kong Stock Connect and Shenzhen – Hong Kong Stock Connect investors is in line with H Shareholders of the Company.

9. Remunerations for Directors and Supervisors of the Company in 2019

An ordinary resolution will be proposed at the AGM to approve the remuneration plan for the Directors and Supervisors of the Company in 2019, and authorize the human resources department of the Company to perform the details of such plan.

The remuneration and benefit standards for Directors and Supervisors of the Company in 2019 are reported as follows according to such laws and regulations as the Company Law of the People's Republic of China, the Standards for the Governance of Listed Companies and securities regulatory requirements of mainland China and Hong Kong:

1. The remuneration and benefit standards for executive Directors: total pre-tax remunerations (including basic salaries and performance-based salaries) + social insurances (“insurances and housing provident fund” paid by the Company for individuals) + annuity (supplementary pension insurance paid by the Company for individuals).

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2. Total pre-tax remunerations for independent non-executive Directors consist of basic remunerations, allowances for attending Board meetings, allowances for attending meetings of special committees under the Board, of which basic pre-tax annual remunerations for Directors of special committees and other independent non-executive Directors are RMB100,000 and RMB80,000, respectively; and pre-tax allowances for attending Board meetings and meetings of special committees are RMB3,000/time and RMB2,000/time, respectively.
3. With no meeting allowance in any form, an independent non-executive Director served by a person-in-charge of a central enterprise leaving his current post will only receive a pre-tax work allowance of RMB5,000/month, which is set with reference to the Notice on Salary Allowances for External Directors Served by Persons-in-charge of Central Enterprises Leaving Their Current Posts (Guo Zi [2016] No. 531) (《關於退出現職的中央企業負責人擔任外部董事發放工資補貼有關事項的通知》(國資[2016]531號)).
4. The remuneration and benefit standards for Supervisors: total pre-tax remunerations (including basic salaries/post-based salaries and performance-based salaries) + social insurances (“insurances and housing provident fund” paid by the Company for individuals) + annuity (supplementary pension insurance paid by the Company for individuals).

For details, please refer to Appendix III of this circular for the remunerations and benefits for Directors and Supervisors of the Company in 2019 formulated on an annual-term basis. Remuneration and benefit standards should strictly comply with the regulations related to the remuneration management of persons-in-charge and external directors of central enterprises under the State-owned Assets Supervision and Administration Commission of the State Council, the regulations related to remuneration evaluation management in the Company, and state-owned asset and securities regulatory policies and requirements.

10. Change in the Use of Proceeds Raised from H Shares

An ordinary resolution will be proposed at the AGM to approve the change in the use of proceeds raised from H Shares.

Reference are made to the “Future Plans and Use of Proceeds” section of the prospectus, which set out various proposed uses of the net proceeds from the Company’s Global Offering, and the announcement dated 25 March 2020 of the Company regarding proposed change in the use of proceeds raised from H Shares.

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Basic information of proceeds raised from H Shares

The “Future Plans and Use of Proceeds” section of the prospectus set out various proposed uses of the net proceeds from the Company’s Global Offering.

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

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

- (I) approximately 30% of the net proceeds from the Global Offering will be used for long-term R&D, among which, 72% will be used on the R&D investment for railway and urban transit control systems and the establishment of relevant research centers, 15% on the R&D of communication information technology, 7% on the R&D of modern tram technologies and the rest 6% on others.
- (II) approximately 20% of the net proceeds from the Global Offering will mainly be used for fixed asset investments, including relocation of current production bases and upgrade of equipment, expansion of business into fields such as Smart Cities and electronic information.
- (III) approximately 20% of the net proceeds from the Global Offering will be used for general domestic and overseas acquisitions.
- (IV) not more than approximately 20% of the net proceeds from the Global Offering will be used for investment in rail transportation PPP projects that are in compliance with the government policies.
- (V) not more than 10% of the net proceeds from the Global Offering will be used to supplement working capital.

The proceeds raised from H Shares amounted to approximately RMB9,104 million. As of 31 December 2019, a total of RMB5,862 million of proceeds raised from H Shares has been used, of which RMB2,731 million was used in long-term research and development, including the construction of the CRSC Railway Transportation Research Center and technology research projects; RMB1,430 million was used in the fixed asset investments, including the technical overhaul of CRSC Xi’xin, the Company’s subsidiary, and Changsha Industrial Park; RMB108 million was used in general equity acquisition; RMB693 million was used in investment of

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Tianshui Tramcar project and other PPP projects related to railway transportation; and RMB900 million was used to supplement working capital. The aforesaid use of proceeds is consistent with the use of proceeds as disclosed in the prospectus.

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

Proposed change in the use of proceeds raised from H Shares

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

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

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

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

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Special Resolutions

11. General Authorization for the Issuance of Debt Financing Instruments

A special resolution will be proposed at the AGM to approve the general authorization for the issuance of debt financing instruments.

To further expand financing channels, to take full advantage of the financing environment of capital markets and to control financing costs, the Company proposes to issue, in one batch or in batches, one or several types of debt financing instruments, including but not limited to corporate bonds, company bonds, super short-term financing bills, short-term financing bills, medium-term notes, private placements of debt financing instruments, perpetual bonds and other domestic or foreign debt financing instruments in RMB or foreign currencies permitted by regulatory authorities. To grasp the favourable timing of the market, the Board proposes to apply for the general authorization for issuance of the aforesaid debt financing instruments with details as follows:

Issuers:	Domestic debt financing instruments will be issued by the Company or its subsidiaries; offshore debt financing instruments will be issued by the Company or its overseas subsidiaries
Size of issuance:	Except for bonds in issue of the Company, the size of issuance of domestic and offshore debt financing instruments in total shall not exceed RMB15 billion (inclusive of RMB15 billion, calculated based on the outstanding balance at the time of the issuance and, in the case where the instrument is denominated in a foreign currency, reference would be made to the median rate for the exchange rates as quoted by the People's Bank of China on the date of such issuance)
Methods of issuance:	One-off or multi-tranche issuance basis through public offerings or private placements
Targeting subscribers and subscription arrangement:	Onshore and offshore investors meeting the conditions for subscription (except for the case of the issuance of corporate bonds (if any), Shareholders)

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Category(ies):	Onshore and offshore debt financing instruments can take the form of single term debenture or a combination of multiple categories with different terms. The specific composition of such terms and the issue size of each category with a specific term will be determined in accordance with relevant requirements and the market conditions, and the issue size of each category of debentures shall not exceed the limit applicable to the issue of such category of debentures by the Company in accordance with relevant requirements of PRC
Use of proceeds:	The proceeds to be raised from such issuance will be used to satisfy the production and operation needs of the Company, repay loans from financial institutions, replenish working capital of the Company and/or make project investments etc.
Validity term of the resolution:	From the date of approval of this resolution at the AGM to the date of expiry of twelve months therefrom. Where the Company has resolved to implement the issue or part of the issue and has also obtained the approval(s), permit(s) or registration(s) from regulatory authorities for such issuance within the above validity term of the resolution, the Company may complete the issuance within the validity period determined under such approval(s), permit(s) or registration(s)

The Board requests the grant of a general and unconditional authorization to the Board at the AGM and to approve the Board to further authorize the management of the Company at their sole discretion to deal with all matters relating to the issuance of the onshore and offshore debt financing instruments according to specific needs of the Company and other market conditions during the validity of the resolution, including but not limited to:

- (1) determining the type(s), specific category(ies), specific terms and conditions as well as other matters of the debt financing instruments based on specific conditions of the Company and relevant debt markets, including but not limited to all the matters relating to the issuance such as the size of issue, actual total amount, currency, issue price, interest rate or the determination method thereof, place of issue, timing of issue, term(s), whether to issue in tranches and the number of tranches, whether to adopt any terms for repurchase and redemption, rating arrangements, guarantee matters, term of repayment of the principal and interests, use of proceeds, as well

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as listing and underwriting arrangements according to applicable laws, regulations and relevant provisions from the regulatory authorities as well as resolutions passed at the AGM for such purposes;

- (2) carrying out all necessary and incidental actions and procedures for the issuance of the debt financing instruments, including but not limited to, providing necessary guarantee for issuance of debt securities by subsidiaries, engaging intermediary agencies to handle, on behalf of the Company, application for the approval, registration, filing and other procedures relating to the issuance with relevant regulatory authorities, executing all necessary legal documents relating to the issuance and dealing with other matters relating to the issuance and trading of the debt financing instruments; approving, confirming and ratifying any of the aforesaid actions and procedures relating to the issuance of the debt securities to the extent already taken by the Company;
- (3) executing and publishing or dispatching relevant announcement(s) and circular(s) in relation to the issuance of the debt financing instruments and complying with, if necessary, any relevant information disclosure and/or approval procedures, pursuant to the relevant laws and regulations and requirements of relevant domestic and overseas regulatory authorities;
- (4) making relevant adjustments to the relevant matters of the issuance of the debt financing instruments and determining whether to proceed with the issuance according to actual condition with reference to the opinions from relevant domestic regulatory authorities, the changes in policies or market conditions within the scope of the authorization of the AGM, unless such adjustments and decision are subject to re-voting at a general meeting of the Company according to relevant laws and regulations and the Articles of Association;
- (5) if necessary, determining and dealing with the listing of the debt financing instruments in issue and relevant matters after issuance;
- (6) dealing with any other specific matters in relation to the issuance of the debt financing instruments and to execute all the required documents.

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12. Amendments to the Articles of Association and the Rules of Procedure for the General Meetings

A special resolution will be proposed at the AGM and Shareholders Class Meetings to approve the amendments to the Articles of Association and the Rules of Procedure for the General Meetings.

In order to meet the needs of changes of registered capital with Bureau of Industry and Commerce after the Company's listing on the Science and Technology Innovation Board of the Shanghai Stock Exchange, and in accordance with the requirements under the Reply on the Adjustment of the Provisions Applicable to the Notice Period of Convening General Meetings of Shareholders and Other Matters Applicable to the Companies Listed Abroad (Guo Han [2019] No. 97) (《關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)) of the State Council, and on a prudent, appropriate and necessary basis, it is proposed to amend the relevant articles in the Articles of Association and the Rules of Procedure for the General Meetings concerning the registered capital, and the change of registration in the register of shareholders, notification period and procedures for convening of the general meeting (the "**Proposed Amendments**").

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The details of the amendments to the Articles of Association are as follows:

Original Article	Amended Article
<p>Article 5</p> <p>The Company has a registered capital of RMB[●]. Upon issuance of new shares, the Company's registered capital will be adjusted accordingly based on actual issuance conditions and the Company should proceed with the procedure of registered capital change.</p>	<p>Article 5</p> <p>The Company has a registered capital of RMB<u>10,589,819,000</u>. Upon issuance of new shares, the Company's registered capital will be adjusted accordingly based on actual issuance conditions and the Company should proceed with the procedure of registered capital change.</p>
<p>Article 22</p> <p>.....</p> <p>Approved by the Shanghai Stock Exchange and registered with the CSRC, the Company issued [●] domestic shares to be listed in PRC to the public for the first time on [●], and was listed on the Shanghai Stock Exchange on [●]. After the completion of the above-mentioned issuance, the Company's total stock capital is [●] million shares, and the stock capital structure is: [●] million ordinary shares, of which shareholders of listed domestic shares hold [●] million shares, accounting for [●]% of the total ordinary shares in issue; shareholders of listed foreign shares hold [●] million shares, accounting for [●]% of the total ordinary shares in issue.</p>	<p>Article 22</p> <p>.....</p> <p>Approved by the Shanghai Stock Exchange and registered with the CSRC, the Company issued <u>1,800,000,000</u> domestic shares to be listed in PRC to the public for the first time in <u>July 2019</u>, and was listed on the Shanghai Stock Exchange on <u>22 July 2019</u>. After the completion of the above-mentioned issuance, the Company's total stock capital is <u>10,589.819</u> million shares, and the stock capital structure is: <u>10,589.819</u> million ordinary shares, of which shareholders of listed domestic shares hold <u>8,621.018</u> million shares, accounting for <u>81.4%</u> of the total ordinary shares in issue; shareholders of listed foreign shares hold <u>1,968.801</u> million shares, accounting for <u>18.6%</u> of the total ordinary shares in issue.</p>

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Original Article	Amended Article
<p>Article 49</p> <p>Transfers may not be entered in the register of shareholders within thirty days prior to the date of a general meeting or within five days prior to the record date set by the Company for the purpose of distribution of dividends. If it is otherwise required under relevant laws, administrative regulations, departmental rules, other regulatory documents, and the relevant provisions of securities regulatory authority of the places on which the Company's shares are listed, such provisions shall prevail.</p>	<p>Article 49</p> <p>Transfers may not be entered in the register of shareholders within thirty days prior to the date of a general meeting or within five days prior to the record date set by the Company for the purpose of distribution of dividends. If it is otherwise required under relevant laws, administrative regulations, departmental rules, other regulatory documents, and <u>the relevant provisions of securities regulatory authorities of the places on which the Company's shares are listed on periods during which transfers may not be entered in the register of shareholders prior to the date of a general meeting or prior to the record date(s) set by the Company for the purpose of distribution of dividends,</u> such provisions shall prevail.</p>
<p>Article 77</p> <p>In the event the Company holds a general meeting, the Convener shall issue a written notice 45 days before the general meeting is held, informing all the registered shareholders of the matters to be considered at and the date and place of the meeting. Shareholders who intend to attend the general meeting shall, within 20 days prior to the date of the meeting, serve a written reply on the Company stating that they will attend the meeting.</p>	<p>Article 77</p> <p>In the event the Company holds an <u>annual general meeting</u>, the Convener shall <u>issue a written notice at least 20 working days before the annual general meeting is held,</u> and in the event the Company holds an <u>extraordinary general meeting</u>, the Convener shall issue a written notice at least 15 days or 10 working days, whichever is earlier, before the <u>extraordinary general meeting is held.</u> The written notice shall inform all the registered shareholders of the matters to be considered at and the date and place of the meeting. Shareholders who intend to attend the general meeting shall, <u>within the time specified in the notice,</u> serve a written reply on the Company stating that they will attend the meeting.</p> <p>The "working days" referred to in the preceding paragraph refer to the days when the Stock Exchange of Hong Kong Limited opens for securities trading.</p>

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Original Article	Amended Article
<p>Article 79</p> <p>Based on the written replies received 20 days before the date of the general meeting, the Company shall calculate the number of voting shares represented by the shareholders intending to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company’s voting shares, the Company may hold the general meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the general meeting.</p> <p>The extraordinary general meeting shall not resolve on any issues not specified in the notice of meeting.</p> <p>In the event that the Company is unable to convene the general meeting within the prescribed period, it should disclose the reasons thereof and the follow-up solutions before the expiration of the prescribed period.</p>	<p>Article 79</p> <p>Based on the written replies received 20 days before the date of the general meeting, the Company shall calculate the number of voting shares represented by the shareholders intending to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company’s voting shares, the Company may hold the general meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the general meeting.</p> <p><u>The annual general meeting and</u> extraordinary general meeting shall not resolve on any issues not specified in the notice of meeting.</p> <p>In the event that the Company is unable to convene the general meeting within the prescribed period, it should disclose the reasons thereof and the follow-up solutions before the expiration of the prescribed period.</p>

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Original Article	Amended Article
<p>Article 82</p> <p>.....</p> <p>For holders of domestic shares, a notice of general meeting may also be made by way of announcement.</p> <p>The “announcement” referred in the preceding paragraph shall be published within a period of forty-five to fifty days prior to the date of the general meeting in one or more newspapers and journals designated by the CSRC and the securities regulatory authorities of the places where the Company’s shares are listed. Once an announcement is made, all holders of the domestic shares are deemed to have received the relevant notice of the general meeting.</p> <p>.....</p>	<p>Article 82</p> <p>.....</p> <p>For holders of domestic shares, a notice of general meeting may also be made by way of announcement.</p> <p>The “announcement” referred in the preceding paragraph shall be published within a period of forty-five to fifty days prior to the date of the general meeting on the website of the stock exchanges and <u>the media that meets the conditions prescribed by the securities regulatory authority of the State Council. Once an announcement is published,</u> all holders of the domestic shares are deemed to have received the relevant notice of the general meeting.</p> <p>.....</p>

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Original Article	Amended Article
<p>Article 127</p> <p>When the Company is to hold a class shareholders' meeting, it shall issue a written notice 45 days prior to the meeting informing all the registered shareholders of that class of the matters to be considered at and the date and place of the meeting. Shareholders that intend to attend the meeting shall, within 20 days prior the day on which the meeting is to be held, serve a written reply on the Company stating that they will attend the meeting.</p> <p>If the number of shares carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that class carrying the right to vote at the meeting, the Company may hold the class shareholders' meeting. If not, the Company shall, within 5 days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the class shareholders' meeting.</p>	<p>Article 127</p> <p>When the Company is to hold a class shareholders' meeting, it shall <u>issue a notice with reference to the requirements of Article 77 of the Articles of Association on the notice period for convening a general meeting</u>, informing all the registered shareholders of that class of the matters to be considered at and the date and place of the meeting. Shareholders that intend to attend the meeting shall, <u>within the time specified in the notice</u>, serve a written reply on the Company stating that they will attend the meeting.</p> <p>If the number of shares carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that class carrying the right to vote at the meeting, the Company may hold the class shareholders' meeting. If not, the Company shall, within 5 days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the class shareholders' meeting.</p>

The Proposed Amendments amended 7 articles of the Articles of Association in total, did not add new article or delete article. The number of the articles of the amended Articles of Association remains unchanged.

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The details of the amendments to the Rules of Procedure for the General Meetings are as follows:

Original Article	Amended Article
<p>Article 21</p> <p>In the event the Company holds a general meeting, the Convener shall issue a written notice 45 days before the general meeting is held, informing all the registered shareholders of the matters to be considered at and the date and place of the meeting. Shareholders who intend to attend the general meeting shall, within 20 days prior to the date of the meeting, serve a written reply on the Company stating that they will attend the meeting.</p>	<p>Article 21</p> <p>In the event the Company holds an <u>annual general meeting</u>, the Convener <u>shall issue a written notice at least 20 working days before the annual general meeting is held, and in the event the Company holds an extraordinary general meeting, the Convener shall issue a written notice at least 15 days or 10 working days, whichever is earlier, before the extraordinary general meeting is held.</u> The written notice shall inform all the registered shareholders of the matters to be considered at and the date and place of the meeting. Shareholders who intend to attend the general meeting shall, <u>within the time specified in the notice,</u> serve a written reply on the Company stating that they will attend the meeting.</p> <p>The “working days” referred to in the preceding paragraph refer to the days when the Stock Exchange of Hong Kong Limited opens for securities trading.</p>

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Original Article	Amended Article
<p>Article 22</p> <p>Based on the written replies received 20 days before the date of the general meeting, the Company shall calculate the number of voting shares represented by the shareholders intending to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company’s voting shares, the Company may hold the general meeting. If not, the Company shall, within five days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the general meeting.</p>	<p>This article is deleted.</p>
<p>Article 23</p> <p>.....</p> <p>The announcement referred in the preceding paragraph shall be published within a period of forty-five to fifty days prior to the date of the general meeting in one or more newspapers and journals designated by the CSRC and the securities regulatory authorities of the places where the Company’s shares are listed and on the websites of the Company and the stock exchange. Once an announcement is made, all holders of the domestic shares are deemed to have received the relevant notice of the general meeting.</p> <p>.....</p>	<p>Article 22</p> <p>.....</p> <p>The announcement referred in the preceding paragraph shall be published within a period of forty-five to fifty days prior to the date of the general meeting on the website of the stock exchanges and <u>the media that meets the conditions prescribed</u> by the securities regulatory authority of the State Council. <u>Once an announcement is published</u>, all holders of the domestic shares are deemed to have received the relevant notice of the general meeting.</p> <p>.....</p>

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Original Article	Amended Article
<p>Article 75</p> <p>When the Company is to hold a class shareholders’ meeting, it shall issue a written notice 45 days prior to the meeting informing all the registered shareholders of that class of the matters to be considered at and the date and place of the meeting. Shareholders that intend to attend the meeting shall, within 20 days prior the day on which the meeting is to be held, serve a written reply on the Company stating that they will attend the meeting.</p> <p>If the number of shares carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that class carrying the right to vote at the meeting, the Company may hold the class shareholders’ meeting. If not, the Company shall, within 5 days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the class shareholders’ meeting.</p> <p>If it is otherwise required under the regulatory rules of the places where the Company’s shares are listed, such provisions shall prevail.</p>	<p>Article 74</p> <p>When the Company is to hold a class shareholders’ meeting, it shall <u>issue a notice with reference to the requirements of Article 21 of the Rules of Procedure on the notice period for convening a general meeting,</u> informing all the registered shareholders of that class of the matters to be considered at and the date and place of the meeting. Shareholders that intend to attend the meeting shall, <u>within the time specified in the notice,</u> serve a written reply on the Company stating that they will attend the meeting.</p> <p>If the number of shares carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that class carrying the right to vote at the meeting, the Company may hold the class shareholders’ meeting. If not, the Company shall, within 5 days, inform the shareholders once again of the matters to be considered at and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the class shareholders’ meeting.</p> <p>If it is otherwise required under the regulatory rules of the places where the Company’s shares are listed, such provisions shall prevail.</p>

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Original Article	Amended Article
Article 81 These rules are considered and approved at the general meeting and shall come into force on the date on which the initial public offering of A shares of the Company succeeds on Science and Technology Innovation Board of the Shanghai Stock Exchange. From the effective date of these rules, the original Rules of Procedure for the General Meetings will automatically lapse.	Article 80 These rules are considered and approved at the general meeting and shall come into force on the date on which the initial public offering of A shares of the Company succeeds on Science and Technology Innovation Board of the Shanghai Stock Exchange. From the effective date of these rules, the original Rules of Procedure for the General Meetings will automatically lapse.

The Proposed Amendments deleted one article of the Rules of Procedure for the General Meetings and amended five articles in total. The number of the articles of the amended Rules of Procedure for the General Meetings decreased from an original of 85 articles to 84 articles, and the numbering of the relevant chapters and the relevant articles is adjusted accordingly.

Save as the amendments to the articles above, the other provisions of the Articles of Association and the Rules of Procedure for the General Meetings remain unchanged. The revised Articles of Association and Rules of Procedure for the General Meetings shall become effective from the date of passing the relevant resolution at the AGM and Shareholders Class Meetings. Prior to the passing of the relevant resolution at the AGM and Shareholders Class Meetings, the prevailing Articles of Association and Rules of Procedure for the General Meetings of the Company shall remain valid.

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III. THE AGM AND SHAREHOLDERS CLASS MEETINGS AND VOTING METHOD

The AGM and Shareholders Class Meetings of the Company will be held at 10:00 a.m. on Tuesday, 9 June 2020 at Meeting Room, Building A, CRSC Building, 1 Compound, Automobile Museum South Road, Fengtai District, Beijing, the PRC. The revised notice to convene the AGM has been dispatched on 15 May 2020 and is set out on pages 32 to 35 of this circular. The notice to convene H Shareholders Class Meeting has been dispatched on 21 April 2020 and is set out on pages 36 to 37 of this circular. The revised form of proxy for use at the AGM is also enclosed. The revised form of proxy for the AGM and the form of proxy for the H Shareholders Class Meeting are also published on the HKEXnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.crsc.cn).

Whether or not you propose to attend the AGM and/or H Shareholders Class Meeting, the Company's H Shareholders are requested to complete the revised form of proxy for the AGM and/or the form of proxy for the H Shareholders Class Meeting in accordance with the instruction printed thereon and return them to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 24 hours before the time appointed for the holding of the AGM and H Shareholders Class Meeting or any adjournment thereof, i.e. not later than 10:00 a.m. on Monday, 8 June 2020. Completion and return of the revised form of proxy for the AGM and/or the form of proxy for the H Shareholders Class Meeting will not preclude the Shareholders from attending and voting in person at the AGM and/or H Shareholders Class Meeting or any adjournment thereof if they so wish, in which case the revised form of proxy for the AGM and/or the form of proxy for the H Shareholders Class Meeting will be deemed as having been revoked. H Shareholders who wish to attend the AGM and/or H Shareholders Class Meeting in person or by proxy are requested to complete the reply slips and return the same, by hand or by fax or by post, to the Company's H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Wednesday, 20 May 2020.

Pursuant to Rules 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, all the resolutions set out in the revised notice of the AGM and the notice of H Shareholders Class Meeting shall be voted by poll. Votes may be given either personally or by proxy.

According to Rule 2.15 of the Listing Rules, if a transaction is subject to the approval of Shareholders, any Shareholders with material interest in the transaction shall abstain from voting on the resolution of whether to pass the transaction at the relevant general meeting. At the AGM, CRSC Group will abstain from voting on the Resolution on Estimations on Ordinary Related Party Transactions for 2020-2022 of China Railway Signal & Communication Corporation Limited*. As at the Latest Practicable Date, CRSC Group held 6,604,426,424 A Shares, accounting for about 62.37% of the total issued share capital of the Company. Except

LETTER FROM THE BOARD

as disclosed in this circular, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder is required to abstain from voting on the relevant resolutions at the AGM and/or Shareholders Class Meetings as at the Latest Practicable Date.

IV. CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements of the Shareholders to attend the AGM and H Shareholders Class Meeting, the register of members of the Company is closed from Sunday, 10 May 2020 to Tuesday, 9 June 2020 (both days inclusive), during which period no transfer of Shares of the Company will be effected. To be eligible to attend and vote at the AGM and H Shareholders Class Meeting, all transfer documents must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H Shares of the Company no later than 4:30 p.m. on Friday, 8 May 2020.

In order to ascertain the entitlements of the Shareholders to receive a proposed cash dividend, transfer of Shares will be closed from Monday, 15 June 2020 to Monday, 22 June 2020 (both days inclusive). To be eligible to receive the aforesaid cash dividend, the transfer documents must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for H Shareholders of the Company no later than 4:30 p.m. on Friday, 12 June 2020. Those H Shareholders whose names appear on the register of Shareholders of the Company on Monday, 22 June 2020 will be entitled to a cash dividend (subject to approval by Shareholders at the AGM).

V. RECOMMENDATION

The Board considers that the above-mentioned resolutions are in the interests of the Company and the Shareholders as a whole, and thereby recommends the Shareholders to vote in favour of the resolutions at the AGM and Shareholders Class Meetings.

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

15 May 2020

REVISED NOTICE OF 2019 ANNUAL GENERAL MEETING

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中国通号

中國鐵路通信信號股份有限公司

China Railway Signal & Communication Corporation Limited*

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

(Stock Code: 3969)

REVISED NOTICE OF 2019 ANNUAL GENERAL MEETING

REVISED NOTICE IS HEREBY GIVEN that an annual general meeting (the “AGM”) for the year 2019 of China Railway Signal & Communication Corporation Limited* (the “Company”) will be held at 10:00 a.m. on Tuesday, 9 June 2020 at Meeting Room, Building A, CRSC Building, 1 Compound, Automobile Museum South Road, Fengtai District, Beijing, the People’s Republic of China (the “PRC”) for the purpose of considering, among others, and if thought fit, passing the following resolutions (with or without modifications).

Ordinary Resolutions

1. Resolution on the 2019 Work Report of the Board of Directors of China Railway Signal & Communication Corporation Limited*
2. Resolution on the 2019 Work Report of the Supervisory Committee of China Railway Signal & Communication Corporation Limited*
3. Resolution on the 2019 Annual Report of China Railway Signal & Communication Corporation Limited*
4. Resolution on the Financial Report for 2019 of China Railway Signal & Communication Corporation Limited*
5. Resolution on Appointment of Auditor for 2020
6. Resolution on Appointment of Internal Control Auditor for 2020
7. Resolution on Estimations on Ordinary Related Party Transactions for 2020-2022 of China Railway Signal & Communication Corporation Limited*

REVISED NOTICE OF 2019 ANNUAL GENERAL MEETING

8. Resolution on Profits Distribution Plan for 2019 of China Railway Signal & Communication Corporation Limited*
9. Resolution on Remunerations for Directors and Supervisors of the Company in 2019
10. Resolution on Change in the Use of Proceeds Raised from H Shares

Special Resolutions

11. Resolution on General Authorization for the Issuance of Debt Financing Instruments
12. Resolution on Amendments to the Articles of Association and the Rules of Procedure for the General Meetings

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

Beijing, the PRC, 15 May 2020

* *For identification purpose only.*

REVISED NOTICE OF 2019 ANNUAL GENERAL MEETING

Notes:

- (A) The register of members is closed from Sunday, 10 May 2020 to Tuesday, 9 June 2020 (both days inclusive), during which period no transfer of the H Shares will be effected. Holders of H Shares of the Company whose names appear on the register of H Shares of the Company kept at Computershare Hong Kong Investor Services Limited on Tuesday, 9 June 2020 are entitled to attend and vote at the AGM following completion of the registration procedures. To qualify for attendance and voting at the AGM, documents on transfers of H Shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H Shares of the Company no later than 4:30 p.m. on Friday, 8 May 2020.

In order to ascertain the entitlements of a proposed cash dividend, transfer of Shares will be closed from Monday, 15 June 2020 to Monday, 22 June 2020 (both days inclusive). To be eligible to receive the aforesaid cash dividend, the transfer documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H Shares of the Company no later than 4:30 p.m. on Friday, 12 June 2020. Those holders of H Shares whose names appear on the register of Shareholders of the Company on Monday, 22 June 2020 will be entitled to a cash dividend (subject to adoption by Shareholders at the AGM).

- (B) H Shareholders of the Company intending to attend the AGM should complete and return the reply slip for attending the AGM by hand, fax or post to the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Wednesday, 20 May 2020.
- (C) Each Shareholder entitled to attend and vote at the AGM may, by completing the revised form of proxy of the Company, appoint one or more proxies to attend and vote at the AGM on its behalf. A proxy need not be a Shareholder of the Company. With respect to any Shareholder who has appointed more than one proxy, the proxy holders may only vote on a poll.
- (D) A proxy shall be appointed by a Shareholder by a written instrument signed by the appointor or his attorney duly authorized in writing. In case of a corporation, the same must be either under its common seal or under hand of its legal representative or duly authorized attorney(s). If the written instrument is signed by an attorney of the appointor, the power of attorney or other documents of authorization of such attorney shall be notarized.
- (E) To be valid, the revised form of proxy and the relevant notarized power of attorney (if any) and other relevant documents of authorization (if any) as mentioned in Note (D) above must be delivered, in person or by post, to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) not less than 24 hours before the time appointed for the AGM or any adjournment thereof (as the case may be), i.e. not later than 10:00 a.m. on Monday, 8 June 2020. Completion and return of a revised form of proxy will not preclude a Shareholder from attending and voting in person at the meeting if he so desires.
- (F) If a shareholder has not yet returned the form of proxy of AGM dispatched by the Company on 21 April 2020 (the "**Original Form of Proxy**") in accordance with the instructions printed thereon, and wishes to appoint a proxy to attend the AGM on his/her behalf, he/she is required to submit the revised form of proxy. In this case, the shareholder shall not submit the Original Form of Proxy.
- (G) If a shareholder has already returned the Original Form of Proxy in accordance with the instructions printed thereon, he/she should note that:
- a) If no revised form of proxy is returned by the Shareholder, the Original Form of Proxy will be treated as a valid form of proxy lodged by the shareholder if duly completed. The proxy appointed under the Original Form of Proxy will also be entitled to vote in accordance with the instructions previously given by the shareholder or at his/her discretion (if no such instructions are given) on any resolution properly proposed at the AGM, including the supplementary resolutions as set out in this revised notice of the AGM.
 - b) If the revised form of proxy is returned by the Shareholder not less than 24 hours before the time appointed for the AGM, i.e. not later than 10:00 a.m. on Monday, 8 June 2020, the revised form of proxy will be treated as a valid form of proxy lodged by the Shareholder if duly completed.

REVISED NOTICE OF 2019 ANNUAL GENERAL MEETING

- c) If the revised form of proxy is returned by the Shareholder after the closing time as set out in this revised notice of the AGM, the revised form of proxy will be deemed invalid. It will not revoke the Original Form of Proxy previously lodged by the Shareholder. The Original Form of Proxy will be treated as a valid form of proxy lodged by the Shareholder if duly completed. The proxy appointed under the Original Form of Proxy will also be entitled to vote in accordance with the instructions previously given by the Shareholder or at his/her discretion (if no such instructions are given) on any resolution properly proposed at the AGM, including the supplementary resolution as set out in this revised notice of the AGM.
- (H) A Shareholder or his/her proxy should produce proof of identity when attending the AGM. Where a Shareholder is a legal person, the legal representative of that Shareholder or the person authorized by its board of directors or other governing body shall produce a copy of the authorization documents of the board of directors or other governing body of such Shareholder appointing such person to attend the meeting.
- (I) The AGM is expected to last for not more than half a day. Shareholders who attend the AGM shall bear their own travelling and accommodation expenses.

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

NOTICE OF 2020 FIRST H SHAREHOLDERS CLASS MEETING

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中国通号

中國鐵路通信信號股份有限公司

China Railway Signal & Communication Corporation Limited*

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

(Stock Code: 3969)

NOTICE OF 2020 FIRST H SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN that the 2020 first H shareholders class meeting (the “**H Shareholders Class Meeting**”) of China Railway Signal & Communication Corporation Limited* (the “**Company**”) will be held on Tuesday, 9 June 2020 immediately following the conclusions of the 2019 annual general meeting of the Company and the 2020 first A shareholders class meeting of the Company (or any adjournment thereof) held on the same date at Meeting Room, Building A, CRSC Building, 1 Compound, Automobile Museum South Road, Fengtai District, Beijing, the People’s Republic of China (the “**PRC**”) for the purpose of considering, among others, and if thought fit, passing the following resolution (with or without modifications).

Special Resolution

1. Resolution on Amendments to the Articles of Association and the Rules of Procedure for the General Meetings

By order of the Board

China Railway Signal & Communication Corporation Limited*

ZHOU Zhiliang

Chairman

Beijing, the PRC, 21 April 2020

* For identification purpose only

NOTICE OF 2020 FIRST H SHAREHOLDERS CLASS MEETING

Notes:

- (A) The H Share register of members will be closed from Sunday, 10 May 2020 to Tuesday, 9 June 2020 (both days inclusive), during which period no transfer of the H Shares will be effected. H Shareholders of the Company whose names appear on the register of H Shares of the Company kept at Computershare Hong Kong Investor Services Limited on Tuesday, 9 June 2020 are entitled to attend and vote at the H Shareholders Class Meeting following completion of the registration procedures. To be eligible to attend and vote at the H Shareholders Class Meeting, documents on transfers of H Shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H Shares of the Company no later than 4:30 p.m. on Friday, 8 May 2020.
- (B) H Shareholders intending to attend the H Shareholders Class Meeting should complete and return the reply slip for attending the H Shareholders Class Meeting by hand, fax or post to the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Wednesday, 20 May 2020.
- (C) Each H Shareholder entitled to attend and vote at H Shareholders Class Meeting may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the H Shareholders Class Meeting on its behalf. A proxy need not be an H Shareholder. With respect to any H Shareholder who has appointed more than one proxy, the proxy holders may only vote on a poll.
- (D) A proxy shall be appointed by an H Shareholder by a written instrument signed by the appointor or his attorney duly authorized in writing. In case of a corporation, the same must be either under its common seal or under hand of its legal representative or duly authorized attorney(s). If the written instrument is signed by an attorney of the appointor, the power of attorney or other documents of authorization of such attorney shall be notarized.
- (E) To be valid, the form of proxy and the relevant notarized power of attorney (if any) and other relevant documents of authorization (if any) as mentioned in Note (D) above must be delivered, in person or by post, to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the H Shareholders Class Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude an H Shareholder from attending and voting in person at the meeting if he so desires.
- (F) An H Shareholder or his/her proxy should produce proof of identity when attending the H Shareholders Class Meeting. Where an H Shareholder is a legal person, the legal representative of that Shareholder or the person authorized by its board of directors or other governing body shall produce a copy of the authorization documents of the board of directors or other governing body of such H Shareholder appointing such person to attend the meeting.
- (G) The H Shareholders Class Meeting is expected to last for not more than half a day. H Shareholders who attend the H Shareholders Class Meeting shall bear their own travelling and accommodation expenses.

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

**WORK REPORT OF THE SUPERVISORY COMMITTEE FOR 2019 OF CHINA
RAILWAY SIGNAL & COMMUNICATION CORPORATION LIMITED***

In 2019, the Supervisory Committee of China Railway Signal & Communication Corporation Limited* (the “**Company**”) actively adapts to the new situation and new requirements of the reform of state-owned enterprises, standardizes and exercises its rights and responsibilities in accordance with the law, strives to improve its supervisory capacity, performs its supervisory duties and strengthens its supervisory effects pursuant to the relevant requirements of the Company Law, the Articles of Association and the Rules of Procedure for the Supervisory Committee, which provides an effective guarantee for the healthy development of the Company. The Work Report of the Supervisory Committee for 2019 of the Company is hereby reported as follows:

I. THE WORK OF THE SUPERVISORY COMMITTEE**(I) Convention of Meetings**

In 2019, the Supervisory Committee of the Company convened four meetings as follows in total:

- (1) On 25 March 2019, the Supervisory Committee of the Company convened the second meeting of the third session of the Supervisory Committee in the form of an on-site meeting. Three persons were required to attend and three persons attended. The meeting considered and approved the following proposals: the Proposal on the Initial Public Offering and Listing of A Shares; the Proposal on the Special Profits Distribution Plan; the Proposal on Amendments to the Rules of Procedure for the Supervisory Committee of China Railway Signal & Communication Corporation Limited*.
- (2) On 27 March 2019, the Supervisory Committee of the Company convened the third meeting of the third session of the Supervisory Committee in the form of an on-site meeting. Three persons were required to attend and three persons attended. The meeting considered and approved the following proposals: the Proposal on 2018 Annual Report and Results Announcement of China Railway Signal & Communication Corporation Limited*; the Proposal on Profits Distribution Plan for 2018; the Proposal on Work Report of the Supervisory Committee for 2018 of China Railway Signal & Communication Corporation Limited*.
- (3) On 26 August 2019, the Supervisory Committee of the Company convened the fourth meeting of the third session of the Supervisory Committee in the form of an on-site meeting. Three persons were required to attend and three persons attended. The meeting considered and approved the following proposals: the Proposal on Using Temporarily Idle Funds Raised for Cash Management; the Proposal on the 2019 Interim Report of China Railway Signal & Communication Corporation Limited*.

- (4) On 28 October 2019, the Supervisory Committee of the Company convened the fifth meeting of the third session of the Supervisory Committee in the form of an on-site meeting. Three persons were required to attend, two persons attended and one person entrusted others to vote. The meeting considered and approved the Proposal on the 2019 Third Quarterly Report of China Railway Signal & Communication Corporation Limited*.

(II) Attendance at Important Meetings

In 2019, the Supervisors attended two general meetings pursuant to regulations and attended seven Board meetings as non-voting delegates. Moreover, the chairwoman of the Supervisory Committee also regularly attended the office meeting of the President as a non-voting attendee. By attending these important meetings as non-voting attendees, not only did the Supervisors understand the operation and management of the Company, but also actively participated in the consideration and discussion of the resolutions and put forward their opinions and suggestions in a responsible manner, thus effectively supervised the procedures for convening these meetings and topics of these meetings.

(III) Routine Inspection and Research

The Supervisory Committee of the Company placed emphasis on combining meeting supervision with routine inspection to improve the work style, and proactively took advantage of various opportunities to carry out research work. During the reporting period, the Supervisors were able to combine the tasks with the work of the Supervisory Committee by participating in the supervision of internal audit, supervision of legal matters, the internal control and compliance review, etc., to focus on the development and risk control of subordinate enterprises, promptly alert the problems that arise in the production and operation, financial management and internal control of the enterprises, delve into the causes of these problems and response measures, and put forward reasonable suggestions, in order to prompt the Company to strengthen the management and control on its subordinate enterprises.

II. SUPERVISORY COMMITTEE'S EXPLANATIONS ON THE PERFORMANCE OF THE BOARD OF DIRECTORS AND MANAGEMENT AND THE LEGITIMATE OPERATION OF THE COMPANY

During the reporting period, the Supervisory Committee enhanced the communication with Directors and senior management and the supervision and reminders on them, continuously improved the communication and interaction mechanisms between the chairwoman of the Supervisory Committee and the Chairman of the Board and President, communicated with each other about the important information inside and outside the Company, participated in the supervision on decision-making, and expressed its supervision opinions and reasonable suggestions.

Having supervised the performance of duties of Directors and senior management of the Company and the legitimate operation of the Company, the Supervisory Committee was of the view that the Board of the Company was able to make decisions according to law and in strict compliance with requirements such as the Company Law and the Articles of Association, and the major business decision-making procedures of the Company were lawful and valid; that the Company disclosed significant information about the Company in a timely manner pursuant to the securities regulatory requirements such that the information was disclosed in a regulated manner and the securities trading system for the informed parties of insider information was conducted well; that the Directors and senior management of the Company were able to implement prudently and thoroughly the relevant laws and regulations, the Articles of Association and the resolutions of the general meetings and the Board during the execution of duties of the Company in a faithful, pioneering and pro-active manner; and that no Directors or senior management of the Company were found to have acted in violation of laws, regulations or the Articles of Association or harmed the interests of the Company and the rights and interests of Shareholders during the execution of their duties.

III. EXPLANATIONS OF THE SUPERVISORY COMMITTEE ON THE INSPECTION OF THE COMPANY'S FINANCIAL STATUS

During the reporting period, the Supervisory Committee of the Company maintained regular and non-routine communications with external auditor. By examining the Company's financial statements and external audit report, reviewing the Company's periodic reports, and regularly listening to the report of internal audit department of the Company on the implementation of internal audit work, the Supervisory Committee carried out effective supervision and inspection on the Company's financial management and operation. Through supervision and inspection, the Supervisory Committee was of the view that the Company had a sound financial system, regulated management practices and reasonable spending of fees during 2019. The Company's 2019 financial report was audited by Ernst & Young Hua Ming LLP, which issued a standard audit report with an unqualified opinion that the 2019 financial report prepared by the Company fairly reflected the Company's financial status and operating results.

IV. EXPLANATIONS OF THE SUPERVISORY COMMITTEE ON THE ACTUAL USE OF PROCEEDS

As approved by the Reply to Approval for the Registration of Initial Public Offering of Shares by China Railway Signal & Communication Corporation Limited* (Zheng Jian Xu Ke [2019] No. 1135) (《關於同意中國鐵路通信信號股份有限公司首次公開發行股票註冊的批覆》(證監許可[2019]1135號)) issued by the China Securities Regulatory Commission, the Company made an initial public offering of 1,800,000,000 ordinary shares in RMB. The total proceeds amounted to RMB10,530,000,000 and the net proceeds amounted to RMB10,354,342,373.23. The above-mentioned proceeds were fully received on 16 July 2019. During the reporting period, the Supervisory Committee monitored the utilization of the proceeds. The Supervisory Committee was of the view that the Company was able to manage and utilize the proceeds in accordance with national laws and regulations as well as the

commitments made by the Company in the prospectus. The balance of the proceeds in deposit account was RMB5,928.33 million (inclusive of interest income from the dedicated account for the proceeds), which are deposited in the dedicated account opened by the Company for the proceeds. Going forward, the Supervisory Committee will continue to monitor and inspect the utilization of the proceeds.

V. THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINIONS ON THE COMPANY'S RELATED PARTY TRANSACTIONS

In 2019, the Supervisory Committee supervised the related party transactions carried out by the Company during the reporting period. The Supervisory Committee was of the view that the Company's related party transactions were conducted in accordance with the Company Law, the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange as well as the Articles of Association and the Rules Governing Related Party Transactions, and that the pricing of these related party transactions was fair, without violating the principles of openness, fairness and impartiality, and with no act identified that would harm the interests of the Company and its minority Shareholders.

VI. THE SUPERVISORY COMMITTEE'S SPECIAL EXPLANATION ON THE COMPANY'S INTERNAL CONTROL

In 2019, the Company originally planned to abolish two systems, revise 66 systems and add 66 new systems, totalling 134 systems. During the process of abolishment, revision and establishment, original plans have been adjusted partially. After adjustment, it was planned to abolish two systems, revise 63 systems and add 58 systems. As of 31 December 2019, the Company accumulatively abolished two systems, revised 63 systems and added 59 systems, totalling 124 systems. In addition, the Company formulated or revised and published the Measures for the Operation and Management of China Railway Signal & Communication Corporation Limited*, the Management and Control Rights List of China Railway Signal & Communication Corporation Limited* and the Management Authority Manual of the Headquarter of China Railway Signal & Communication Corporation Limited* to clarify the approval power of the Company to its subsidiaries at all levels, to clearly demarcate the management authority at headquarter level of the Company, to regulate the compliant exercise of each management and control power and to explicitly and clearly implement the processes and procedures, thus making sure the reciprocity and coherence of power and responsibility.

During the reporting period, the Company conducted comprehensive risk assessment, internal control self-evaluation, compliance inspection and other works in accordance with requirements of the State-owned Assets Supervision and Administration Commission of the State Council, and prepared the Annual Comprehensive Risk Management Report and Internal Control Evaluation Report.

The Supervisory Committee was of the view that in 2019, the internal control system of the Company underwent continuous enhancement, the internal control system could cover all aspects of the operation, production and management of the Company with operability and execution being further strengthened, and the overall level of the internal control continued to improve so that the Company was able to give a reasonable assurance that the internal control objective would be achieved.

In 2019, the Supervisory Committee of the Company responsibly and diligently performed its supervisory duties, and effectively safeguarded the legitimate rights and interests of the Company, its Shareholders and employees based on the principle of accountability to all the Shareholders of the Company, in strict compliance with relevant rules and regulations such as the Company Law, the Articles of Association and the Rules of Procedure for the Supervisory Committee, which actively promoted the sound development of the Company's business, enhancement of risk control and improvement of corporate governance structure.

In 2020-2022, according to the daily operation business needs, the Company expects to have ordinary related party transactions with related parties, including purchases and sales of commodities, acceptance and provision of labor services, leases and other services. According to the requirements of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, in order to facilitate the normal development and review of ordinary related party transactions, the Company prepared the estimations on the amount of ordinary related party transactions for 2020-2022. Details are as follows:

I. ESTIMATIONS AND IMPLEMENTATION OF PREVIOUS ORDINARY RELATED PARTY TRANSACTIONS

Unit: RMB ten thousand

Category of Related Party Transactions	Related Parties	Estimated Amount in 2019	Actual Amount in 2019	Percentage of Similar Businesses	Reasons for the Significant Difference between the Estimated Amount and the Actual Amount
Purchasing products/materials from related parties	China Railway Signal and Communication (group) Corporation Limited and its subsidiaries	11,000.00	9,008.92	2.41%	–
Receiving services from related parties	China Railway Signal and Communication (group) Corporation Limited and its subsidiaries	2,900.00	2,675.68	0.09%	–
Lease of houses/fixed assets from related parties	China Railway Signal and Communication (group) Corporation Limited and its subsidiaries	40.00	29.13	0.30%	–
Selling products/materials to related parties	China Railway Signal and Communication (group) Corporation Limited and its subsidiaries	3,200.00	548.08	0.09%	–

APPENDIX II ESTIMATIONS ON ORDINARY RELATED PARTY TRANSACTIONS FOR 2020-2022

Category of Related Party Transactions	Related Parties	Estimated Amount in 2019	Actual Amount in 2019	Percentage of Similar Businesses	Reasons for the Significant Difference between the Estimated Amount and the Actual Amount
Provision of labor services to related parties	China Railway Signal and Communication (group) Corporation Limited and its subsidiaries	76,000.00	33,467.38	0.95%	–
Rental of houses/fixed assets to related parties	China Railway Signal and Communication (group) Corporation Limited and its subsidiaries	2,000.00	1,150.42	58.92%	–

Note: None of the actual amount of related party transactions in 2019 exceeded the originally estimated amount.

II. ESTIMATED AMOUNT AND CATEGORY OF THE ORDINARY RELATED PARTY TRANSACTIONS

Unit: RMB ten thousand

Category of Related Party Transactions	Related Parties	Estimated Amount in 2020	Accumulated Amount from the Beginning of the Year to the Date of Disclosure	Estimated Amount in 2021	Estimated Amount in 2022
Purchasing products/materials from related parties	China Railway Signal and Communication (group) Corporation Limited and its subsidiaries	12,000.00	211.67	13,000.00	14,000.00

APPENDIX II ESTIMATIONS ON ORDINARY RELATED PARTY TRANSACTIONS FOR 2020-2022

Category of Related Party Transactions	Related Parties	Estimated Amount in 2020	Accumulated Amount from the Beginning of the Year to the Date of Disclosure	Estimated Amount in 2021	Estimated Amount in 2022
Receiving services from related parties	China Railway Signal and Communication (group) Corporation Limited and its subsidiaries	5,000.00	–	5,000.00	5,000.00
Lease of houses/fixed assets from related parties	China Railway Signal and Communication (group) Corporation Limited and its subsidiaries	50.00	–	50.00	50.00
Selling products/materials to related parties	China Railway Signal and Communication (group) Corporation Limited and its subsidiaries	4,000.00	–	3,000.00	2,000.00
Provision of labor services to related parties	China Railway Signal and Communication (group) Corporation Limited and its subsidiaries	75,000.00	4,499.31	60,000.00	55,000.00
Rental of houses/fixed assets to related parties	China Railway Signal and Communication (group) Corporation Limited and its subsidiaries	1,500.00	–	1,500.00	1,500.00

The abovesaid related party transactions are within the daily operation and business of the Company, taking the market price as the pricing standard. The pricing is fair without prejudice to the interests of the Company and its minority Shareholders. The Company remains independent from its related parties in terms of business, personnel, assets, organization, finance, etc. and makes completely independent decisions in daily transactions, without control by related parties. There is no adverse effect on the Company's current and future financial position and operating results. The Company will not rely heavily on related parties, and ordinary related party transactions will not adversely affect the Company's ability of continuous operation.

APPENDIX III

**TABLE OF REMUNERATIONS AND BENEFITS
FOR DIRECTORS AND SUPERVISORS IN 2019**

**TABLE OF REMUNERATIONS AND BENEFITS FOR DIRECTORS AND
SUPERVISORS IN 2019**

Unit: Yuan Currency: RMB

Name	Post	(I) Total Pre-tax remuneration	(II) Social Insurance	(III) Annuity	Total Remunerations and Benefits (before tax)= (I)+(II)+(III)
ZHOU Zhiliang	Executive Director and the Chairman	1,217,187	126,103	36,948	1,380,238
XU Zongxiang	Executive Director and President	43,083	10,369	3,256	56,708
YANG Yongsheng	Executive Director	799,005	126,103	23,611	948,719
WANG Jiajie	Independent Non-Executive Director	123,004	–	–	–
CHEN Jin'en	Independent Non-Executive Director	60,000	–	–	–
CHAN Ka Keung Peter	Independent Non-Executive Director	141,008	–	–	–
YAO Guiqing	Independent Non-Executive Director	60,000	–	–	–
YIN Gang	Former Executive Director and former President	1,149,180	115,734	31,066	1,295,980
TIAN Liyan	Former Chairwoman of the Supervisory Committee	341,220	115,734	27,066	484,020
CHEN Shikui	Supervisor	428,833	126,103	18,808	573,744
WU Zuowei	Former Supervisor	0	0	0	0

Notes:

1. The total pre-tax remunerations for executive Directors of the Company in 2019 include basic salaries and performance-based salaries, and also include term incentive income from 2016 to 2018 (YANG Yongsheng served for less than three years during the term of office from 2016 to 2018).
2. In December 2019, YIN Gang ceased to serve as executive Director and President.
3. In December 2019, XU Zongxiang was appointed as President, and in February 2020, XU Zongxiang was appointed as executive Director.
4. Supervisor WU Zuwei did not receive remuneration from the Company.
5. In February 2020, TIAN Liyan ceased to serve as Chairwoman of the Supervisory Committee, and WU Zuwei ceased to serve as Supervisor.