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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)

**ANNOUNCEMENT ON MATTERS OF THE COMPANY RELATING
TO AUDIT ON CONTROLLING SHAREHOLDER BY
NATIONAL AUDIT OFFICE**

In 2017, the National Audit Office conducted an audit on the 2016 financial income and expense of China Railway Signal & Communication Corporation (“**CRSC Group**”), the controlling shareholder of China Railway Signal & Communication Corporation Limited* (the “**Company**”). The Company as a subsidiary of CRSC Group was also subject to the relevant audit.

According to the audit results of the National Audit Office, CRSC Group achieved rapid development with breakthrough on related technologies of high-speed railway, which was changing from absorption to self-innovation by strengthening strategic guidance; promoted structural adjustment and facilitated improvement of the industrial chain related to principle business by deepening corporate reforms; strengthened institutional improvement, enhanced centralized management and control of funds, and regulated the management of key areas and crucial links. The audit also found out that there were still certain deficiencies in CRSC Group in terms of financial management and accounting, internal management, the implementation of the spirit of the eight-point frugality code issued by the CPC Central Committee and the practice integrity provisions.

The Company paid great attention to the audit rectification work on relevant issues concerning the Company arising from the audit. The Company established the Leading Group of Audit Rectification led by the Party Secretary and Chairman of the Company. The Company convened several thematic meetings on the issues discovered

by the audit to study and deploy rectification work and arranged various departments and units to analyse the causes on a case-by-case basis. Through simultaneously taking measures on both business management and operation execution, the Company refined the rectification plan and combined ways of drawing inferences on common problems and conducting specific rectification on special issues to ensure the rectification work fully implemented. As of the end of 2017, issues reflected in the audit announcement had been fully rectified.

The Company regarded the audit and the rectification on issues discovered by the audit as an important opportunity to enhance its management quality and risk prevention capabilities. And as such, the Company comprehensively reviewed its internal management mechanism, systematically investigated problems of each management and control link so as to improve the system in all dimensions, enhance the process and establish a “Comprehensive Compliance” system for integration of risk management, internal control and compliance management. The Company also continuously improved the institutional system featuring with hierarchy and full-coverage, formed an internal control mechanism with closed-loop from management to supervision and with balanced responsibilities and authorization, so as to ensure the sustainable and healthy development of the Company.

The issues found in the audit had no significant impact on the overall operating results and financial reports of the Company.

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

Beijing, the People’s Republic of China
21 June 2018

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

** For identification only*