



中国铁建

中國鐵建高新裝備股份有限公司

CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

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

Stock Code: 1786



2024
Annual Report

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FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME HIGHLIGHTS

	Year ended 31 December				
	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Revenue	3,119,621	3,099,977	2,821,918	2,185,946	1,558,054
Gross profit	596,159	425,824	632,809	522,088	427,952
Profit before tax	140,512	137,088	123,666	44,545	22,137
Profit for the year	128,849	145,142	115,672	50,376	22,157
Profit attributable to:					
Owners of the parent	128,206	145,035	115,635	50,376	22,157
Non-controlling interests	64	107	36	–	–
Basic earnings per share (RMB/share)	0.08	0.10	0.08	0.03	0.01

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION HIGHLIGHTS

	As at 31 December				
	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Total assets	9,150,875	9,058,899	8,577,794	8,273,340	7,324,557
Total liabilities	3,076,604	3,182,554	2,658,751	2,391,821	1,872,883
Net assets	6,074,271	5,876,345	5,919,042	5,881,520	5,451,674
Equity attributable to owners of the parent	6,039,185	5,861,202	5,904,005	5,881,520	5,451,674

Note: Pursuant to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by the Hong Kong Stock Exchange in December 2010 and amendments to the corresponding Listing Rules, upon approval by the Shareholders at the general meeting of the Company held on 28 June 2021, the Company resolved to prepare financial statements according to the China Accounting Standards for Business Enterprises for information disclosure on the Hong Kong Stock Exchange commencing from financial year 2021. Relevant data for 2020 have been restated based on the China Accounting Standards for Business Enterprises.

Pursuant to the “Interpretation No. 18 of the Accounting Standards for Business Enterprises” (Cai Kuai [2024] No. 24, Interpretation No. 18) (《企業會計準則解釋第18號》) (財會[2024]24號·解釋第18號) issued by the Ministry of Finance on 31 December 2024, the Company has retrospectively adjusted its operating costs and selling expenses for 2020 to 2023. The gross profit has been adjusted due to the retrospective adjustment of operating costs. For details, please refer to Note III of the financial statements: Significant Accounting Policies and Accounting Estimates – 32. Changes in significant accounting policies and accounting estimates.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I hereby present to you the 2024 annual report of CRCCE and extend my heartfelt gratitude to all Shareholders, individuals from various sectors of society, valued customers, and all employees who have long cared for and supported CRCCE.

The year 2024 was a pivotal year for fully implementing the “14th Five-Year” plan. Amid an economic environment where challenges and opportunities coexist, the Company took reform as the overarching approach to deepen and advance reform enhancement initiatives; leveraged innovation as the driving force to strengthen technological innovation and efficiency; seized market opportunities with the philosophy of optimizing growth and revitalizing existing assets; and improved the quality of corporate development by improving the refined management system with cost control at its core.

In 2024, the Company achieved a year-on-year revenue increase of 0.63%, while gross profit increased by 40.00% year-on-year, with key operating indicators remained stable.

In 2024, the Company's technological innovation capabilities and product core competitiveness continued to improve. 16 new complete machine products were successfully rolled out, and six new products were under development. In particular, China's first batch of next-generation intelligent large railway track maintenance equipment was officially launched, marking the comprehensive upgrade of large railway track maintenance equipment into the 2.0 era. The project on key technologies and product development for international multi-gauge large railway track maintenance equipment won the First Prize for Scientific and Technological Progress in Yunnan Province.

In 2024, the Company continued to strengthen and enhance its domestic operations, successfully securing major strategic projects such as the centralized procurement by China Railway and joint project with China Energy. The Company also steadily advanced its overseas operations, successfully entering new markets in Uzbekistan, Algeria and other countries.

The year 2025 will be a critical year for further deepening comprehensive reforms, the final year of the “14th Five-Year” plan, and a key year to prepare for the “15th Five-Year” plan. Facing new opportunities and challenges, the Company will prioritize high-quality development, focus on deepening reforms and value creation, and strive to elevate its high-quality development to new heights.

Tong Pujiang

Chairman

Kunming, Yunnan, the PRC
27 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

	Year ended 31 December	
	2024	2023
	(RMB million)	(RMB million)
Sales of machinery	1,031.85	1,439.46
Sales of parts and components	897.05	827.89
Maintenance of railway track maintenance machinery	886.51	564.06
Railway line maintenance services	171.28	152.22
Mechanical design services	110.28	102.62
Revenue from other business	22.65	13.73
Total revenue	3,119.62	3,099.98

In 2024, the Group coordinated and advanced various key tasks in operations, technology, production and management, firmly anchored the goal of high-quality development, and vigorously pursued the central tasks of production and operation, thereby maintaining a stable and positive development trend of the Group, with annual operating revenue hitting RMB3,119.62 million, representing an increase of RMB19.64 million or 0.63% as compared with the corresponding period last year.

In 2024, the Group's revenue from sales of machinery decreased by RMB407.61 million, or 28.32%, as compared with the corresponding period last year, which was mainly attributable to the fact that certain orders in hand were not yet delivered during the year.

The Group continued to deepen its cooperation with China Railway and China Energy, optimised its technical services and significantly increased the market share of parts and components. The Group's revenue from sales of parts and components in 2024 increased by RMB69.16 million, or 8.35%, as compared with the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group endeavored to enhance the value-added service capacity of remanufacturing and achieved a record high in the contract size of maintenance of railway track maintenance machinery. Revenue from maintenance of railway track maintenance machinery in 2024 increased by RMB322.45 million, or 57.17%, as compared with the corresponding period last year.

The Group fully leveraged its professional advantages, effectively integrated resources, and gradually expanded its railway line maintenance business into new areas such as tunnel and bridge cleaning and railroad switch cleaning; and further expanded the coverage of construction business for China Energy. In 2024, the Group's revenue from railway line maintenance services increased by RMB19.06 million, or 12.52%, as compared with the corresponding period last year.

The Company deepened the management of its design segment and strengthened business sharing and synergy, resulting in an increase in revenue from mechanical design services by RMB7.66 million or 7.46% in 2024 from the corresponding period last year.

COST OF SALES

The Group's cost of sales amounted to RMB2,523.46 million for the year ended 31 December 2024, representing a decrease of RMB150.69 million or 5.64% as compared with RMB2,674.15 million for the corresponding period last year. The decrease was mainly attributable to changes in the cost structure of each business segment and the Company's vigorous implementation of refined management to effectively control product costs.

GROSS PROFIT

The total gross profit of the Group was RMB596.16 million for the year ended 31 December 2024, representing an increase of RMB170.34 million or 40.00% as compared with RMB425.82 million for the corresponding period last year. For the year ended 31 December 2024, the gross profit margin of the Group was 19.11%, representing an increase of 5.37 percentage points as compared with 13.74% for the corresponding period last year. This was mainly attributable to changes in the gross profit structure of each business segment and the Company's vigorous implementation of refined management to effectively control product costs.

OTHER GAINS

The Group's other gains were RMB43.89 million for the year ended 31 December 2024, representing an increase of RMB36.00 million or 456.27% as compared with RMB7.89 million for the corresponding period last year, primarily due to the Group's entitlement to the value-added tax additional deduction incentive policies for advanced manufacturers in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

SELLING EXPENSES

The Group's selling expenses were RMB119.22 million for the year ended 31 December 2024, representing a decrease of RMB11.19 million or 8.58% as compared with RMB130.41 million for the corresponding period last year, primarily due to the combined effect of the Group's efforts to strengthen internal management and vigorously pursue cost reduction and efficiency enhancement.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses were RMB171.02 million for the year ended 31 December 2024, representing a decrease of RMB1.24 million or 0.72% as compared with RMB172.26 million for the corresponding period last year, primarily due to the combined effect of the Group's efforts to strengthen internal management and vigorously pursue cost reduction and efficiency enhancement.

RESEARCH AND DEVELOPMENT EXPENSES

The Group's research and development expenses were RMB237.95 million for the year ended 31 December 2024, representing a decrease of RMB121.00 million or 33.71% as compared with RMB358.95 million for the corresponding period last year, which was mainly attributable to: first, the material cost investment for the "National New Generation Railway Large-scale Maintenance Equipment Key Technology Research and Development" project initiated by the Company in 2023 has decreased this year; second, certain new products and tamping devices were completed and put into operation in 2023, and no further investment was made during the current period.

FINANCIAL GAINS

The Group's financial gains were RMB31.09 million for the year ended 31 December 2024, representing an increase of RMB16.85 million or 118.33% as compared with RMB14.24 million for the corresponding period last year, primarily due to the combination of the Group's net exchange gains arising from changes in US dollar exchange rates and cash discounts on payments to suppliers during the year.

CREDIT IMPAIRMENT LOSSES

The Group recorded impairment losses of RMB-21.35 million for the year ended 31 December 2024, mainly due to the Group's vigorous efforts in and successful collection of trade receivables as it recovered business arrears of substantial amounts incurred in previous years and accordingly reversed the bad debt provided thereon in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

NET OTHER BUSINESS EXPENSES

The Group's net other business expenses increased by RMB0.40 million from RMB2.05 million for the year ended 31 December 2023 to RMB2.45 million for the year ended 31 December 2024.

PROFIT BEFORE TAX

The Group's profit before tax was RMB140.51 million for the year ended 31 December 2024, representing an increase of RMB3.42 million or 2.49% as compared with RMB137.09 million for the corresponding period last year, which was the combined effects of the increase in sales volume following the Group's market development efforts, internal management improvement and earnest implementation of the cost reduction and efficiency enhancement initiatives.

INCOME TAX EXPENSE

The Group's income tax expense was RMB11.66 million for the year ended 31 December 2024, representing an increase of RMB19.71 million from RMB-8.05 million for the corresponding period last year. The increase in income tax expense was mainly due to the Group's fulfilment of its tax obligations based on the results of operations for the year in accordance with the tax laws.

The Company was entitled to the preferential tax policy of the western development and was subject to the preferential enterprise income tax rate of 15%.

Ruiweitong Company was accredited as a high and new technology enterprise in 2024 and received approvals from the relevant government authorities for being entitled to the preferential enterprise income tax rate of 15%.

Other subsidiaries established by the Group in mainland China were subject to the enterprise income tax rate of 25%.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Group reached RMB128.21 million for the year ended 31 December 2024, representing a decrease of RMB16.83 million or 11.60%, from RMB145.04 million for the corresponding period last year. The decrease in profit attributable to owners of the Group was the combined result of a year-on-year decrease in non-operating revenue and an increase in income tax expense.

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

The profit attributable to non-controlling interests of the Group was RMB0.64 million for the year ended 31 December 2024, representing an increase of RMB0.54 million from the corresponding period last year. In 2022, the Group and Zhengzhou Railway Equipment Manufacturing Co., Ltd. (鄭州鐵路裝備製造有限公司) jointly established Zhengzhou CRCC Equipment Technology Co., Ltd. (鄭州鐵建裝備科技有限公司), and Zhengzhou Railway Equipment Manufacturing Co., Ltd., as a non-controlling interest holder, was entitled to its share of profit in Zhengzhou CRCC Equipment Technology Co., Ltd.

BASIC EARNINGS PER SHARE

Basic earnings per share decreased from RMB0.10 for the year ended 31 December 2023 to RMB0.08 for the year ended 31 December 2024.

LIQUIDITY AND SOURCE OF CAPITAL

Cash flows and working capital

The Group's needs for working capital were mainly satisfied by cash generated from operations. As at 31 December 2024, the closing balance of the Group's cash and cash equivalents amounted to RMB1,147.06 million and the net decrease in cash and cash equivalents was RMB310.54 million, mainly due to the conversion of the Company's funds of RMB560.00 million into time deposits of more than three months (inclusive) in 2024 in order to obtain returns on the funds.

Net cash inflow from operating activities

For the year ended 31 December 2024, the Group's net cash inflow from operating activities was RMB283.18 million, primarily due to the Company's enhanced efforts in recovery of loans.

Net cash outflow from investing activities

For the year ended 31 December 2024, the Group's net cash outflow from investing activities was RMB568.99 million. The cash outflow from investing activities was mainly due to the conversion of the Company's funds of RMB560.00 million into time deposits of more than three months (inclusive) in 2024 in order to obtain returns on the funds.

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash outflow from financing activities

For the year ended 31 December 2024, the Group's net cash outflow from financing activities was RMB26.43 million, including receipt of investment from shareholders of RMB19.30 million by Zhengzhou CRCC Equipment Technology Co., Ltd. jointly established by the Group and Zhengzhou Railway Equipment Manufacturing Co., Ltd. and dividend payment of RMB45.73 million.

Liquidity

The Board believes that the Group has sufficient liquidity to meet the Group's present requirements for liquid funds.

COMMITMENTS

The Group's commitments as at the dates indicated are set out as follows:

Capital commitments

	31 December 2024 (RMB million)	31 December 2023 (RMB million)
Contracted but not provided for	2.95	5.94

INDEBTEDNESS

The Group had no interest-bearing debts as at 31 December 2024.

PLEDGE

The Group had no pledge as at 31 December 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

The Group monitors capital management by using the gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes bank borrowings and other borrowings, trade and bills payables, financial liabilities included in other payables and accruals less cash and cash equivalents and pledged deposits. Capital includes equity attributable to owners of the Company. The Group's gearing ratio was 18.30%^(Note) as at 31 December 2023 and 19.07% as at 31 December 2024.

Note: The gearing ratio for 2023 was disclosed in the Company's 2023 annual report as 22.34% due to an unintentional calculation error. The Group believes that such unintentional error is not material.

CONTINGENT LIABILITIES

The Group had no material contingent liability as at 31 December 2024.

MARKET RISKS

The Group is subject to various market risks, including foreign exchange risks and inflation risks in the course of daily business operation.

FOREIGN EXCHANGE RISKS

The majority of the Group's businesses are located in the PRC and most of the transactions are settled in RMB, with certain sales, procurement and German subsidiaries settled in foreign currencies including Euro and CHF. The fluctuation in exchange rates of these foreign currencies against RMB would have an impact on the operating results of the Group. As at 31 December 2024, the Group did not enter into any hedging transactions for the purpose of mitigating its foreign exchange risks.

POLICY RISKS

Products of the Group are primarily applied in China's railway, urban rail and energy markets, where changes in policies will have an impact on the operation of the Company. The Group mitigated or eliminated possible adverse risks of policy changes through measures such as strengthening macroeconomic analysis and proactively expanding market share.

MANAGEMENT DISCUSSION AND ANALYSIS

PENSION SCHEME

Employees engaged by the Company and its PRC-incorporated subsidiaries participate in the social insurance and housing provident fund schemes established by local PRC governments. The Company and its PRC-incorporated subsidiaries are required to contribute to such schemes subject to a certain percentage of the employees' salaries, and are not legally liable for post-retirement benefits.

During the year ended 31 December 2024, the Group did not have the right to utilize the forfeited contributions to the above social insurance and provident fund schemes to reduce the existing level of contributions, and therefore no contribution was utilized. The Group did not have any defined benefit plan for the year ended 31 December 2024.

CHANGES IN AUDITOR

Upon resolution at the 2021 annual general meeting of the Company held on 30 June 2022, the auditor of the Company was changed from Deloitte Touche Tohmatsu Certified Public Accountants LLP to BDO China SHU LUN PAN Certified Public Accountants LLP, who is the sole auditor of the Company to audit the financial statements of the Company under the China Accounting Standards for Business Enterprises, and also assumes responsibilities of overseas auditors as required under the Listing Rules. BDO China SHU LUN PAN Certified Public Accountants LLP audited the financial statements of the Company for the year ended 31 December 2022 in accordance with the Auditing Standards for the Certified Public Accountants of China. For details, please refer to the announcement dated 10 May 2022, the circular dated 13 May 2022 and the announcement dated 30 June 2022, respectively published by the Company on the website of the Hong Kong Stock Exchange (www.hkex.com.hk).

Upon resolution at the 2024 second extraordinary general meeting of the Company held on 13 December 2024, the auditor of the Company was changed from BDO China SHU LUN PAN Certified Public Accountants LLP to Grant Thornton Zhitong Certified Public Accountants LLP. Grant Thornton Zhitong Certified Public Accountants LLP becomes the sole auditor of the Company to audit the financial statements of the Company under the China Accounting Standards for Business Enterprises, and also assumes responsibilities of overseas auditors as required under the Listing Rules. Grant Thornton Zhitong Certified Public Accountants LLP audited the financial statements of the Company for the year ended 31 December 2024 in accordance with the Auditing Standards for the Certified Public Accountants of China. For details, please refer to the announcement dated 18 November 2024, the notice dated 25 November 2024 and the announcement dated 13 December 2024, respectively published by the Company on the website of the Hong Kong Stock Exchange (www.hkex.com.hk).

Save as disclosed above, the Company has not changed its auditor in the past three years.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. **Tong Pujiang (童普江)**, aged 47, has been an executive Director and chairman of the Board of the Company since May 2024. He graduated from Southwest Jiaotong University in July 1999, majoring in machinery engineering and automation, and graduated from the Party School of the CPC Central Committee in June 2014 with a master's degree in economic management. He is a senior engineer who has 25 years of experience in manufacturing and repair of railway large track maintenance machinery. From August 2005 to January 2015, he successively served as deputy director and director of the office, assistant to general manager, head of human resources department, and manager of the general manufacturing factory of the Company. He successively served as deputy general manager and general manager of the Company from January 2015 to April 2022. He was an executive Director of the Company from September 2017 to September 2023. He served as a non-executive Director of the Company from September 2023 to May 2024, and a director and general manager of CRCHI from September 2023 to April 2024.
2. **Xiang Daqiang (向大強)**, aged 50, has been an executive Director of the Company since June 2024 and the general manager of the Company since May 2024. He graduated from China University of Geosciences with a master's degree in engineering majoring in architecture and civil engineering in July 2010 and he is a professor-level senior engineer. He successively served as the head of the operation and development department, deputy general manager and general manager of China Railway 16th Bureau Group 4th Engineering Co., Ltd. from August 2003 to January 2015; and successively served as the deputy general manager, general manager and a director of China Railway 16th Bureau Group Co., Ltd. from January 2015 to May 2023. From May 2023 to March 2024, he served as an external director of China Railway 16th Bureau Group Co., Ltd.; and from June 2023 to May 2024, he served as an external director of each of China Civil Engineering Construction Corporation, China Railway 11th Bureau Group Co., Ltd., China Railway 23rd Bureau Group Co., Ltd. and China Railway Materials Group Co., Ltd.
3. **Chen Yongxiang (陳永祥)**, aged 58, has been an executive Director of the Company since June 2017 and the deputy general manager of the Company since December 2024. He obtained a master's degree in international economic and trade relations jointly set up by Nankai University and Flinders University, Australia in June 2013. He is an engineer who has 35 years of experience in manufacturing and repair of railway track maintenance machinery. From November 1998 to January 2010, he successively served as the deputy director at the production preparation workshop, manager at the metal materials processing company, and manager at the machining company of the Company. From January 2010 to April 2021, he successively served as a deputy general manager and an executive Director of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4. **Mo Bin (莫斌)**, aged 55, has been an executive Director of the Company since November 2023. He graduated from Southwest Jiaotong University with a bachelor's degree majoring in welding technology and equipment in July 1992, and is a senior engineer. From August 2001 to January 2010, he successively served as factory secretary, secretary of the Board and office director of the Company; from January 2010 to July 2017, he served as secretary of committee for discipline inspection of the Company and chairman of supervisory committee; from April 2018 to December 2018, he served as the deputy inspector and head of union work department of CRCHI; and from December 2018 to August 2023, he served as a deputy general manager of the Company. He has been the president of the labour union of the Company since August 2023.
5. **Lyu Jing (呂晶)**, aged 56, has been a non-executive Director of the Company since August 2024. He graduated from Southwest Jiaotong University (西南交通大學) majoring in bridge engineering in July 1990 and obtained a master's degree in project management engineering from Southwest Jiaotong University in June 2012, and is a professor level senior engineer. From February 2013 to August 2014, he served as the deputy general manager of China Civil Engineering Construction Corporation (中國土木工程集團有限公司); from August 2014 to July 2015, he served as the deputy general manager of CRCC China-Africa Construction Limited (中鐵建中非建設有限公司); from July 2015 to October 2021, he served as the deputy general manager of China Civil Engineering Construction Corporation; from October 2021 to April 2024, he served as the general manager of CRCC International Investment Co., Ltd. (中鐵建國際投資有限公司); from November 2021 to August 2023, he concurrently served as the chairman of Spanish Aldesa Group (西班牙阿爾德薩集團公司); from April 2024 to present, he has been serving as an external director of the second-tier company of China Railway Construction Corporation Limited (中國鐵建股份有限公司); from June 2024 to present, he has been serving as an external director of China Railway 14th Bureau Group Co., Ltd. (中鐵十四局集團有限公司).
6. **Xie Huagang (謝華剛)**, aged 55, has been a non-executive Director of the Company since June 2024. He successively graduated from Renmin University of China and Beijing Normal University with a master's degree and is a senior economist. He successively served as the secretary of the office of CPC committee and deputy director of the research division of CRCCG, deputy director of the strategic planning division of the office of the board of directors of CRCCG, and director of the equity representative management division of the secretariat of the board of directors of China Railway Construction Corporation Limited. From December 2015 to April 2024, he served as the securities affairs representative of the office of the board of directors of China Railway Construction Corporation Limited; and from December 2021 to February 2024, he served as the securities affairs representative of the office of the board of directors of China Railway Construction Corporation Limited and an external director of each of China Railway Construction Investment Group Co., Ltd. and China Railway 23rd Bureau Group Co., Ltd.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

7. **Wu Yuntian (吳雲天)**, aged 66, has been an independent non-executive Director of the Company since October 2022. From 1983 to 2003, he successively served as a trainee, assistant engineer, engineer and director of the department of engineering of Shenyang Railway Bureau. From 2003 to 2004, he successively served as the assistant to the director of the safety supervision department and deputy director of the basic department of the transport command center (transport bureau) of the Ministry of Railways. He also successively served as the deputy director and director of Lanzhou Railway Bureau from 2004 to 2014, and the general manager and chairman of the board of directors of China Railway Container Transportation Co., Ltd. from 2014 to 2019. He has been an independent director of CRCHI since February 2023.
8. **Na Pengjie (納鵬傑)**, aged 60, has been an independent non-executive Director of the Company since October 2022. He holds a doctorate degree and is a professor and doctoral supervisor of Yunnan University of Finance and Economics. From 2000 to 2014, he successively served as the deputy director of the Investment Research Institute of Yunnan Institute of Finance and Trade, the director of the Investment Research Institute, the dean of the MBA Education School and the secretary of the party committee of the Business School of Yunnan University of Finance and Economics, and a director of Yunnan Baiyao Group Co., Ltd. He currently serves as an independent director of Sino-platinum Metal Co., Ltd. and an independent director of Yunnan Copper Co., Ltd.
9. **Chu Ching (朱晴)**, aged 49, has been an independent non-executive Director of the Company since October 2022. She holds a master's degree in business administration and is a chartered financial analyst (CFA). From 2002 to 2019, she successively served as an analyst in technology and chip industries in the securities research department of J.P. Morgan, a director of Asia data management in the securities research department of Citibank, and a senior manager of data management in the research department of Fidelity International. She has been the research director of eFusion Capital since 2019.
10. **Ma Changhua (馬昌華)**, aged 51, has been an employee representative supervisor and chairman of the Supervisory Committee of the Company since January 2025. He obtained a master's degree in international economic and trade relations jointly set up by Nankai University and Flinders University, Australia in June 2014 and is an engineer who has 26 years of experience in the field of railway maintenance machinery manufacturing and repair. From March 2005 to February 2015, he successively served as deputy head and head of information management department, office director, assistant to general manager, and commander at construction instruction department of the northern base of the Company. From February 2015 to November 2023, he successively served as secretary of the Board, office director of the Board, and director of the strategic investment department, securities department and asset management department, as well as the director of working department of the Board of the Company. From November 2023 to December 2024, he served as the deputy general manager of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

11. **Wang Huaming (王華明)**, aged 55, served as a shareholders representative Supervisor of the Company since June 2015. He graduated from the Party School under Anhui Provincial Communist Party Committee in July 2011 with a master's degree, majoring in economic management. Mr. Wang has 30 years of experience in corporate economic management. From June 2002 to July 2004, he was a member of the finance department and a deputy director of the investment audit department under Anhui Engineering Co., Ltd. of Shanghai Railway Construction Group. From August 2004 to December 2012, he served as the chief accountant of Anhui Engineering Co., Ltd. of Shanghai Railway Construction Group (renamed as "Anhui Engineering Co., Ltd. of China Railway 24th Bureau"). From July 2011 to December 2012, he concurrently served as the general counsel of Anhui Engineering Co., Ltd. of China Railway 24th Bureau. From January 2013 to August 2014, he served as the financial director and general counsel of China Railway Zhanjiang Development Co., Ltd. From September 2014 to November 2018, he served as the general manager of the supervision and audit department of China Railway Construction Investment Group. In December 2018, he served as the general manager of the finance and capital department of China Railway Construction Investment Group.
12. **Zhong Xiangjun (鍾祥軍)**, aged 45, has been a shareholders representative Supervisor of the Company since October 2020. He graduated from the School of Humanities and Social Sciences of Southwest Jiaotong University in July 2003 with a bachelor's degree, majoring in political science and public administration. He has 19 years of work experience in corporate management and disciplinary inspection and supervision. From July 2003 to July 2009, he successively served as a trainee, secretary, office director and assistant political engineer of the project department of China Railway 17th Bureau Yuantong Engineering Co., Ltd.* (中鐵十七局遠通工程有限公司). From July 2009 to July 2012, he successively served as the deputy secretary of party working committee of the fundamental project department of China Railway 17th Bureau 6th Engineering Co., Ltd.* (中鐵十七局六公司), the secretary of party working committee, deputy manager, office director, deputy head of the human resources department, assistant political engineer and political engineer of the project department of Section II of Phase 1 of Civil Engineering Work of Line II of Changsha Rail Transit* (長沙軌道交通II號線一期土建工程II標段項目部). Since July 2012, he has successively served as the principal staff member of the working department under the Communist Party Committee, deputy office director and director of the committee for discipline inspection and deputy director of the inspection office of the Communist Party Committee of CRCHI. He currently serves as the office director of the committee for discipline inspection and deputy director of the inspection office of the Communist Party Committee of CRCHI.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

13. **Zhou Huipeng (周慧鵬)**, aged 53, has been the deputy general manager and chief engineer of the Company since December 2024. He graduated from Yunnan University of Finance and Economics in December 2014 with a master's degree in business administration, and is a senior engineer. Mr. Zhou has 28 years of experience in the field of railway maintenance machinery manufacturing and repair. From March 2008 to April 2021, he successively served as deputy director of the marketing department, deputy general manager of Beijing Marketing Branch, deputy general manager and general manager of the marketing company, head of the strategic investment department, head of safety and environmental protection department, director of lean promotion office and head of asset management department of the Company. He was the deputy general manager of the Company from April 2021 to November 2023, the general manager of the Company from November 2023 to May 2024, and an executive Director of the Company from November 2023 to July 2024.
14. **Li Guo (李果)**, aged 42, has been a deputy general manager of the Company since April 2021. He graduated from Kunming University of Science and Technology in April 2010 with a master's degree in machinery manufacturing and automation, and is a senior engineer. Mr. Li has 14 years of experience in the field of railway maintenance machinery manufacturing and repair. From July 2010 to April 2021, he successively served as assistant engineer of Beijing Marketing Branch of the Company, deputy general manager of the marketing company, deputy general manager of the No. 1 operation branch, and general manager of the No. 1 operation branch of the Company.
15. **Yang Zhuo (楊琢)**, aged 41, has been the deputy general manager of the Company since November 2023. He graduated from Central South University with a bachelor's degree of automation in June 2006, and has 18 years of experience in the field of railway maintenance machinery manufacturing and repair. From March 2013 to April 2022, he successively served as the director of technical office and factory director of the general assembly sub-factory, deputy general manager and general manager of the technological service company, member of the Party general branch of operational services, general manager and deputy secretary of the Communist Party Committee of the general manufacturing factory of the Company. He has been the general manager of the general manufacturing factory, deputy secretary of the Communist Party Committee and general manager of the technological service company of the Company since April 2022.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

16. **Kong Deming (孔德明)**, aged 41, has been the chief accountant of the Company since June 2023. She graduated from Chongqing University with a master's degree in accounting in June 2008 and is a senior accountant. From June 2008 to July 2010, she successively served as assistant accountant, accountant and deputy director of the finance department of the Company; from July 2010 to January 2014, she served as chief accountant of Kunming OTON Railway Machinery Co., Ltd.; and from January 2014 to June 2023, she successively served as deputy director of the finance department, director of the audit department and director of the finance department of the Company, and supervisor and general manager of the finance department of Xinruitong Materials and Equipment Co., Ltd.
17. **Li Wanqing (李萬清)**, aged 54, has been the secretary to the Board and the director of the working department of the Board since November 2023, and has concurrently served as the head of human resources department of the Company since January 2025, and is a senior engineer. He obtained a master's degree in international economic and trade relations jointly set up by Nankai University and Flinders University, Australia in September 2016, and has 31 years of experience in the field of railway maintenance machinery manufacturing and repair. From January 2009 to October 2022, he successively served as the deputy director of technological transformation office, head of development planning department, deputy chief economist, office director of the Board, director of equipment management platform and director of test center of the research and design institute, deputy head of strategic investment department, head of equipment department and director of test center of the research and design institute, vice president of the research and design institute and president of the research institute for simulation and engineering testing of the Company. From October 2022 to November 2023, he successively served as a researcher of special grade, general manager of asset management department, deputy director of large railway track maintenance machinery research and development center, president of the research institute for simulation and engineering testing and senior engineer of the Company.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company contained in the annual report for the year ended 31 December 2024 (the “Year”). During the reporting period, the Company remains committed to maintaining compliant operation, constantly improving its corporate governance system, and continuously implementing comprehensive risk management and internal control, with a view to improving its management efficiency and corporate governance.

I. OVERVIEW OF CORPORATE GOVERNANCE

The Board has reviewed documents related to corporate governance and is of the view that the requirements of such documents comply with the code provisions set out in the Part 2 of the CG Code of the Stock Exchange. For the year ended 31 December 2024, the Company has fully complied with the code provisions of Part 2 of the CG Code.

The Board and the management of the Company make every effort to comply with the CG Code in order to protect and enhance the interests of the Shareholders. As the Company continues to grow, the Company will monitor and revise its corporate governance policy on an ongoing basis, to ensure the relevant policies to be in compliance with the general regulations and standards required by the Shareholders.

In accordance with the relevant laws and regulations such as the Company Law and the Securities Law of the PRC, the Company has set up a management structure with general meetings, the Board, specialized committees of the Board, the Supervisory Committee and the management to act as check and balance against one another. The division of responsibilities among the general meetings, the Board, specialized committees of the Board and the management is distinct, and each of them is assigned with clearly defined responsibilities, which established a mechanism of clear authorities and responsibilities, operation regulation, mutual balance and checks and balances for our authority body, decision-making body, supervisory body and management team. The Board has delegated the execution and daily operations of the Company’s business to the management. However, clear directions are given to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Company. The Company will continue to improve its corporate governance mechanism, exercise discipline in the fulfilment of corporate duties, and strengthen information disclosure in practice.

CORPORATE GOVERNANCE REPORT

II. CORPORATE CULTURE

Our corporate culture comprises our corporate mission, corporate vision, corporate core values, corporate spirit and general principles of conduct.

Our corporate mission is to “weave the grand earth and achieve the wonderful future”. From “weaving a railway network across the splendid mountains and rivers” to “building exquisite machinery to ensure railway safety,” the Company remains steadfast in its original aspiration and unwavering in its commitment. With a sense of responsibility that declares “always making sure to contribute our share to the success of the cause”, we stand forever at the forefront of reform to expand new horizons and sketch new blueprints, and strive to strengthen the foundation of railway industry and weave the warp and weft of the earth.

Our corporate vision is to develop into a world-class modern enterprise. The Company has always been dedicated to the cause of large railway track maintenance machinery. Through the introduction, digestion, absorption, and re-innovation of technology, as well as independent innovation, we have become a leading enterprise in China’s large railway track maintenance machinery industry, a national champion demonstration enterprise in manufacturing of a single product, and the top manufacturer in Asia and second in the world in large railway track maintenance machinery industry. In the new era, the Company will align with major strategies such as new industrialization, a strong transportation nation, and a manufacturing powerhouse. We will continuously enhance our comprehensive strength, innovation capabilities, quality and efficiency, tackle “choke-point” key technologies and break through industrial bottlenecks. We will persistently optimize our layout and adjust our structure with focus on the intelligent equipment manufacturing and full-process services for railway and urban rail inspection, monitoring, construction, repair and maintenance, and accelerate our transformation toward “high-end, intelligent, green, precise, digital, and international” development. By comprehensively improving the efficiency and profitability metrics of our core business of large railway track maintenance machinery, expanding the share of new industry sectors and overseas operations, we aim to build a world-class modern enterprise characterized by excellent products, a distinguished brand, leading innovation, and modern governance. We are advancing at full speed toward the goal of becoming “a world-leading provider of intelligent equipment solutions for large railway track maintenance construction”.

CORPORATE GOVERNANCE REPORT

Our corporate core values are “pursuit of excellent products and outstanding employees while remaining commitment to innovation and integrity”. These values reflect the relationship between people and the enterprise, embodying the shared value orientation of the Company and its employees. The formation and development of these core values are realized through the daily actions and promotion by our employees, particularly the management team. Our core value concepts are innovation and integrity. We pursue development with innovation as the fundamental driving force, and gain customers and market share by upholding integrity. We aim to manufacture large railway track maintenance machinery relying on high-quality employees, which represents our foremost value orientation. We establish a linkage between the machinery and employees because we believe that high-quality machinery would be impossible if we have no high-quality employees.

Our corporate spirit is to carve paths through mountains and build bridges over waters. In this new historical period, the Company will continue to uphold its fearless, courageous, and resilient spirit, keeping pace with the times and achieving new heights of excellence.

The Company’s general principles of conduct are to “fulfil the responsibility with dedication, deliver solid results through hard work, attain progress through innovations, and achieve win-win outcome”. Our corporate values are “pursuit of excellent products and outstanding employees while remaining commitment to innovation and integrity”. To realize the core values, the key is to fulfil the responsibility with dedication, deliver solid results through hard work, attain progress through innovations, and achieve win-win outcome. To fulfil the responsibility with dedication represents the foundation for implementing the values. To deliver solid results through hard work is the approach towards the values. To attain progress through innovations indicate the direction in which we should implement the values. To achieve win-win outcome is the result of our implementation of the values.

CORPORATE GOVERNANCE REPORT

III. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as the code of conduct for governing the securities transactions by the Directors and the Supervisors.

The Company has issued a specific enquiry regarding whether the securities transactions by Directors and Supervisors comply with the Model Code, and the Company confirmed that all Directors and Supervisors have complied with the securities transaction standards governing Directors and Supervisors specified by the Model Code during the reporting period.

IV. BOARD OF DIRECTORS

The Board of Directors is primarily responsible for monitoring and supervising the management of business affairs and overall performance of the Company. The Board of Directors establishes the Company's values and standards, and ensures that the requisite financial and human resources support are in place for the Group to achieve its objectives. The functions performed by the Board of Directors include, but are not limited to, formulating the Company's business plans and strategies, reviewing the Company's financial results and performance and approving its interim and annual results; approving the appointment, dismissal or reappointment of Board members after obtaining the recommendations of the nomination committee of the Board (the "**Nomination Committee**"); approving the remuneration packages of Directors and senior management of the Company after obtaining the recommendations of the remuneration and evaluation committee of the Board (the "**Remuneration and Evaluation Committee**"), and determining all major financial (including major capital expenditures) and operational issues; formulating, monitoring and reviewing the corporate governance of the Company; and all other functions reserved by the Board of Directors according to the Articles of Association. The Board of Directors may delegate certain functions to the senior management of the Company from time to time when necessary. The senior management is mainly responsible for implementing the business plans, strategies and policies adopted by the Board of Directors and delegated to it from time to time.

CORPORATE GOVERNANCE REPORT

1. Composition of the Board

According to the Articles, the Company has established the Board consisting of nine Directors, of whom one is the chairman and three are independent Directors.

As at the date of this report, the Board consisted of nine Directors. Mr. Liu Feixiang, Mr. Tong Pujiang, Mr. Chen Yongxiang and Mr. Luo Jianli were appointed as the executive Directors of CRCCE as nominated by the Nomination Committee, and considered and approved at the twenty-eighth meeting of the second session of the Board and the 2022 first extraordinary general meeting of the Company. Mr. Liu Feixiang was elected as the chairman of the third session of the Board, as nominated by the controlling Shareholder and considered and approved at the first meeting of the third session of the Board. On 6 July 2023, the Board received the resignation report from Mr. Liu Feixiang, an executive Director. Mr. Liu Feixiang resigned as an executive Director and the chairman of the Board due to his age. As considered and approved at the sixth meeting of the third session of the Board, Mr. Zhao Hui was appointed as the chairman of the Company. On 11 September 2023, the Board received the resignation report from Mr. Luo Jianli. Mr. Luo Jianli resigned as an executive Director of the Company due to work adjustment. As considered and approved at the eighth meeting of the third session of the Board of the Company, Mr. Zhao Hui was re-designated from a non-executive Director to an executive Director and Mr. Tong Pujiang was re-designated from an executive Director to a non-executive Director. As nominated by the Nomination Committee and considered and approved at the ninth meeting of the third session of the Board and the first extraordinary general meeting for 2023 of the Company, Mr. Zhou Huipeng and Mr. Mo Bin were appointed as executive Directors of the third session of the Board. On 31 May 2024, the Board of the Company received the resignation report from Mr. Zhao Hui, an executive Director, who resigned as an executive Director and the chairman of the Board of the Company due to change in work arrangements. As considered and approved at the twelfth meeting of the third session of the Board of the Company, Mr. Tong Pujiang was re-designated from a non-executive Director to an executive Director, and was appointed as the chairman of the Board of the Company. As nominated by the Nomination Committee and considered and approved at the twelfth meeting of the third session of the Board and the 2023 annual general meeting of the Company, Mr. Xiang Daqiang was appointed as an executive Director of the third session of the Board of the Company. On 2 July 2024, the Board of the Company received the resignation report from Mr. Zhou Huipeng, an executive Director, who resigned as an executive Director of the Company due to change in work arrangements.

CORPORATE GOVERNANCE REPORT

The Company currently has two non-executive Directors, namely Mr. Lyu Jing and Mr. Xie Huagang; and three independent non-executive Directors, namely Mr. Wu Yuntian, Mr. Na Pengjie and Ms. Chu Ching. On 31 May 2024, the Board of the Company received the resignation report from Mr. Bai Yunfei, who resigned as a non-executive Director of the Company due to change in work arrangements. As nominated by the Nomination Committee and considered and approved at the twelfth meeting of the third session of the Board and the 2023 annual general meeting of the Company, Mr. Xie Huagang was appointed as a non-executive Director of the third session of the Board of the Company. As nominated by the Nomination Committee and considered and approved at the thirteenth meeting of the third session of the Board and the 2024 first extraordinary general meeting of the Company, Mr. Lyu Jing was appointed as a non-executive Director of the third session of the Board of the Company.

Mr. Xiang Daqiang and Mr. Xie Huagang have each obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 20 May 2024 and Mr. Lyu Jing has obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 3 July 2024. Each of the aforesaid new Directors appointed during the Year has confirmed he understood his obligations as a director of a listed issuer.

All Directors have entered into service contracts with the Company respectively with a term of three years. A Director may be re-elected and re-appointed at a general meeting after his/her term of office expires.

The Directors strictly complied with their promises, fidelity, integrity, and diligently performed their responsibilities. The number of people and composition of the Board conformed to the requirements of relevant laws and regulations. There was no non-working relationship among the members of the Board, including financial, business, family or other significant relevant relations.

The Directors distinguished themselves in their field of expertise, and exhibited high standards of personal and professional ethics and integrity. All Directors gave sufficient time and energy to the Company's affairs. The Board believes that the ratio of the number of executive Directors to non-executive Directors is reasonable and adequate to provide checks and balances that safeguard the interests of the Shareholders and the Company as a whole.

CORPORATE GOVERNANCE REPORT

The Company believes that Board independence is crucial for good corporate governance and Board effectiveness. The Board has established a mechanism to ensure that independent views of any Director are communicated to the Board to enhance objectivity and effectiveness of decision-making. With strong independent elements in the Board, the Board independently and objectively monitors strategic and performance-related issues. Currently, independent non-executive Directors of the Board account for one-third of the Board members. Each of the audit and risk management committee (the “**Audit and Risk Management Committee**”) and the Remuneration and Evaluation Committee of the Company is chaired by an independent non-executive Director. Based on the Board independence assessment mechanism, the Board will conduct an annual review of its independence. During the year ended 31 December 2024, the Board reviewed the implementation and effectiveness of the Board independent assessment mechanism and the review showed that the implementation and effectiveness of the mechanism were satisfactory.

2. Meetings of the Board and Directors’ attendance record

During the reporting period, the Company convened a total of eight Board meetings and three general meetings. The following sets forth the Directors’ attendance of the Board meetings and the general meetings:

Name	Title	Board meetings	General meetings
Tong Pujiang	Chairman and executive Director	8/8	3/3
Xiang Daqiang	Executive Director	6/6	2/2
Chen Yongxiang	Executive Director	8/8	3/3
Mo Bin	Executive Director	8/8	3/3
Lyu Jing	Non-executive Director	4/4	1/1
Xie Huagang	Non-executive Director	6/6	2/2
Wu Yuntian	Independent non-executive Director	8/8	3/3
Na Pengjie	Independent non-executive Director	8/8	3/3
Chu Ching	Independent non-executive Director	8/8	3/3
Zhao Hui	Chairman and executive Director (resigned)	1/1	0/0
Zhou Huipeng	Executive Director (resigned)	2/2	1/1
Bai Yunfei	Non-executive Director (resigned)	1/1	0/0

Note: Mr. Zhao Hui resigned as the chairman of the Board and an executive Director of the Company on 31 May 2024, so he did not attend seven Board meetings and three general meetings held thereafter. Mr. Bai Yunfei resigned as a non-executive Director of the Company on 31 May 2024, so he did not attend seven Board meetings and three general meetings held thereafter. Mr. Zhou Huipeng resigned as an executive Director of the Company on 2 July 2024, so he did not attend six Board meetings and two general meetings held thereafter. Mr. Xiang Daqiang and Mr. Xie Huagang were appointed as an executive Director and a non-executive Director of the Company, respectively, on 28 June 2024, and therefore they only attended six Board meetings and two general meetings. Mr. Lyu Jing was appointed as a non-executive Director of the Company on 9 August 2024, therefore he only attended four Board meetings and one general meeting.

CORPORATE GOVERNANCE REPORT

3. Continuous training and development schemes for Directors

According to the CG Code, all Directors should participate in continuous professional development schemes to develop and refresh their knowledge and skills, to ensure that their contribution to the Board remains informed and relevant.

All Directors have regularly accepted the briefs and updates about the business, operations, risk management and corporate governance of the Company, and were provided with new key laws and regulations and changes to the forgoing appropriately applicable to the Company. According to the CG Code, all Directors are required to provide their respective training records to the Company.

During the reporting period, the Company has provided the appropriate continuous training and professional development courses for the Directors, including engaging the Company's counsel to carry out the training about latest changes in China's laws and regulations and the Listing Rules. All Directors and Supervisors have attended the related trainings, and were made aware of and carefully read the relevant documents. Moreover, the Company has received the letters of confirmation for attending the continuous professional trainings from each Director.

Major trainings provided for the Directors in 2024 are as follows:

Name	Training 1	Training 2
Executive Director		
Tong Pujiang	✓	✓
Xiang Daqiang		✓
Chen Yongxiang	✓	✓
Mo Bin	✓	✓
Zhao Hui (resigned)	✓	
Zhou Huipeng (resigned)	✓	
Non-executive Director		
Lyu Jing		✓
Xie Huagang		✓
Bai Yunfei (resigned)	✓	
Independent non-executive Director		
Wu Yuntian	✓	✓
Na Pengjie	✓	✓
Chu Ching	✓	✓

Note: Training 1 involves the latest changes in China's laws and regulations (responsibilities of directors, supervisors and senior management under the new Company Law) and the interpretation of the latest listing rules of the Stock Exchange (including the paperless listing regime); and Training 2 involves training for performance of duties of Directors and Supervisors.

CORPORATE GOVERNANCE REPORT

4. Operation of the Board

The Board is responsible to the general meetings for leadership and control of the Company, and is responsible for formulating the overall development strategy, reviewing and monitoring the business performance of the Company, as well as preparing and approving financial statements. Moreover, the Board delegates the management to be responsible for the daily management, administration and operation of the Company, and also reviews those delegated functions on periodic basis to ensure that relevant arrangement remains appropriate to the needs of the Company.

The Board convenes regular and extraordinary meetings in accordance with legal procedures and complies strictly with relevant laws and regulations and the Articles in the exercise of its authority, with an emphasis on protecting the interests of the Company and its Shareholders.

All Directors are given no less than 14 days' notice of regular Board meetings, and all Directors are given no less than five days' notice of extraordinary Board meetings.

The secretary to the Board records and prepares documents concerning all matters that are discussed during the Board meetings. Draft minutes of every Board meeting are circulated to all Directors for their review. After finalization, the Board minutes will be signed by all Directors who have attended the meeting and the minutes recording person. These documents are permanently kept as important records of the Company at the Company's domicile.

According to the Articles, the Board is responsible to the general meetings and it principally exercises the following functions:

- (I) to convene general meetings and report its work to the general meetings;
- (II) to implement the resolutions of the general meetings;
- (III) to make decisions on business plans and investment plans of the Company;
- (IV) to formulate the Company's proposed annual financial budget and final financial reports;
- (V) to formulate the Company's profit distribution plans and plans for making up for losses;
- (VI) to formulate the Company's plans for increasing or reducing the registered capital, issuing shares, bonds or other securities and listing;

CORPORATE GOVERNANCE REPORT

- (VII) to formulate the Company's plans for major acquisitions, repurchase of the Company's shares or merger, division, dissolution or change in corporate form;
- (VIII) to decide matters of the Company such as external investment, purchase and sales of assets, pledge of assets, external guarantee, entrusted finance and connected transactions within the scope of authorization of general meetings;
- (IX) to decide the setting of internal administrative organizations of the Company;
- (X) to appoint or dismiss the general manager and the secretary to the Board, to appoint or dismiss any senior management, including vice general manager and financial controller of the Company according to the nomination by the general manager, and to decide their remuneration and rewards and punishments;
- (XI) to formulate the basic management system of the Company;
- (XII) to formulate proposals for any modifications to the Articles;
- (XIII) to manage the disclosure of information of the Company;
- (XIV) to propose on the general meetings the appointment or change of the accounting firm that provides the Company with the audit service of annual financial statements and to determine its audit fee;
- (XV) to listen to work reports of the general manager of the Company and to review his/her work;
- (XVI) to decide the establishment and composition of specialized committees of the Board of Directors;
- (XVII) to consider and approve change in use of proceeds raised;
- (XVIII) other functions and authorities as specified by laws, regulations and the listing rules of the stock exchange on which shares of the Company are listed and as granted by the general meeting and the Articles.

CORPORATE GOVERNANCE REPORT

All Directors have access to the advice and services of the company secretary. The Company provides all Directors with the necessary information and data to enable them to make scientific, timely and prudent decisions. Any Director can request the general manager to, or through the general manager to request the Company's relevant department to provide him/her with any necessary information and explanation to enable him/her to make scientific, timely and prudent decisions. If any of the independent non-executive Directors considers necessary, an independent institution can be engaged to provide independent opinions to assist him/her in making decisions. The Company is responsible for arranging the engagement of the independent institution at its own costs.

Director(s) with interest in any connected transaction cannot vote at the Board meeting considering the particular connected transaction. If a resolution cannot be passed due to the Director(s)' abstaining from voting, the resolution will be submitted directly to the general meeting for consideration.

The Company has taken out appropriate liability insurance for Directors for the purpose of covering any of their liability arising out of the Company's corporate activities.

5. Special committees of the Board

The Board of the Company has established specialized committees, including the strategy and investment committee (the "**Strategy and Investment Committee**"), the Audit and Risk Management Committee, the Nomination Committee, and the Remuneration and Evaluation Committee. The functions of each specialized committee are to analyze specific issues in its area of expertise and to provide opinions and suggestions for consideration by the Board.

CORPORATE GOVERNANCE REPORT

a. Strategy and Investment Committee

The Strategy and Investment Committee of the Company was established in June 2015. It currently consists of five Directors, including one executive Director, two non-executive Directors and two independent non-executive Directors. Due to the change of the session of the Board, Mr. Liu Feixiang was appointed as the chairman of the Strategy and Investment Committee as considered and approved at the first meeting of the third session of the Board. The other members of the committee are Mr. Wu Yuntian and Mr. Na Pengjie. On 6 July 2023, the Board of Directors received the resignation report from Mr. Liu Feixiang, an executive Director. Mr. Liu Feixiang resigned as an executive Director and the chairman of the Board of Directors due to his age, and resigned as the chairman of the Strategy and Investment Committee of the Company. As considered and approved at the sixth meeting of the third session of the Board of Directors, Mr. Zhao Hui was elected as the chairman of the Strategy and Investment Committee of the third session of the Board of Directors. On 31 May 2024, the Board of the Company received the resignation report from Mr. Zhao Hui, an executive Director, who resigned as an executive Director and the chairman of the Board of the Company due to change in work arrangements and also resigned as the chairman of the Strategy and Investment Committee of the Company. As considered and approved at the twelfth meeting of the third session of the Board of the Company, Mr. Tong Pujiang, an executive Director, was elected as the chairman of the Strategy and Investment Committee of the third session of the Board. As considered and approved at the fifteenth meeting of the third session of the Board of the Company, the Company amended the Terms of Reference of the Strategy and Investment Committee of the Board of CRCC High-Tech Equipment Corporation Limited to adjust the number of members of the Strategy and Investment Committee from three to five, and elected Mr. Lyu Jing and Mr. Xie Huagang as members of the Strategy and Investment Committee. The Strategy and Investment Committee is primarily responsible for analyzing and proposing suggestions on the Company's development strategy planning and significant investment decisions, which include, among other things:

- to review the Company's long-term development strategies;
- to review the major issues that affect the development of the Company;
- to review the significant capital operations, asset management projects, significant investments, financing and guarantee projects which should be approved by the Board of Directors.

CORPORATE GOVERNANCE REPORT

In 2024, the Strategy and Investment Committee held two meetings to mainly consider the following issues:

Session of the Strategy and Investment Committee's meetings	Date	Major issues considered	
The first meeting of the Strategy and Investment Committee of the third session of the Board of Directors for 2024	26 March 2024	(I)	To consider the Resolution on 2024 Bank Credit Facilities of the Company;
		(II)	To consider the Resolution on Production and Operating Plan of the Company for 2024;
		(III)	To consider the Resolution on Annual Investment Plans of the Company for 2024;
		(IV)	To consider the Resolution on the Performance Report of the Strategy and Investment Committee of the Company for 2023.
The second meeting of the Strategy and Investment Committee of the third session of the Board of Directors for 2024	11 October 2024	(I)	To consider the Resolution on the Revision of the 14th Five-Year Development Plan of the Company;
		(II)	To consider the Resolution on the Preparation of the Medium and Long-term Development Strategy of the Company.

CORPORATE GOVERNANCE REPORT

Attendance of each member at the meetings is as follows:

No.	Name	Position	Number of attendance/ Number of meetings
1	Tong Pujiang	Chairman of the committee	1/1
2	Wu Yuntian	Member	2/2
3	Na Pengjie	Member	2/2
4	Lyu Jing	Member	1/1
5	Xie Huagang	Member	1/1
6	Zhao Hui (resigned)	Chairman of the committee	1/1

Note: On 31 May 2024, the Board of Directors received the resignation report from Mr. Zhao Hui, an executive Director. Mr. Zhao Hui resigned as an executive Director and the chairman of the Board of Directors due to change in work arrangements, and resigned as the chairman of the Strategy and Investment Committee of the Company, so he did not attend the meeting of the Strategy and Investment Committee held thereafter. Mr. Tong Pujiang was elected as the chairman of the Strategy and Investment Committee of the third session of the Board of Directors on 31 May 2024, and Mr. Lyu Jing and Mr. Xie Huagang were elected as members of the Strategy and Investment Committee on 23 August 2024, so they did not attend the meeting of the Strategy and Investment Committee held before that.

b. Audit and Risk Management Committee

The Audit and Risk Management Committee of the Company was established in June 2015. It currently consists of three independent non-executive Directors. Due to the change of the session of the Board, Mr. Na Pengjie was appointed as the chairman of the Audit and Risk Management Committee as considered and approved at the first meeting of the third session of the Board, and other members of the committee include Mr. Wu Yuntian and Ms. Chu Ching.

The Audit and Risk Management Committee of the Company is primarily responsible for supervising the Company's internal control, risk management, financial information disclosure and internal audit matters, which include, among other things:

- to supervise and manage the audit work, to propose appointment or removal of external audit agencies, to examine and supervise the work of external audit agencies, and the relationships between the Company and the external audit agencies, to formulate and implement policies on the non-audit services provided by the external audit agencies, to examine the Letters of Explanation of Review Matters submitted to the management by the external audit agencies and give timely feedback on the matters raised by the external audit agencies in its Letters of Explanation of Review Matters;

CORPORATE GOVERNANCE REPORT

- to supervise the internal audit system and its implementation, to review the Company's financial and accounting policies and practices;
- to ensure the communication and coordination between internal audit and external audit agencies;
- to supervise the Company's financial information and its disclosure, and to review the major opinions on financial reporting as set out in the statements and reports;
- to review the Company's financial control, risk management and internal control system, to review major connected transactions, and to discuss the risk management and internal control system with the management to ensure that the management has discharged its duty to establish an effective internal control system;
- to ensure that the Company establishes appropriate channels for employees to report or raise concerns, in confidence, about possible improprieties in financial reporting, risk management, internal control or other matters;
- to submit the annual report on overall risk management to the Board, to consider the Company's risk management strategies and the solutions for major risk management, to consider the establishment of the risk management organization, and proposals of their responsibilities, and to consider the comprehensive report on the supervision, assessment and audit of risk management submitted by the internal audit department.

The Company has established an audit and risk control department with relatively independent functions on internal audit, internal control and risk management. The audit and risk control department is under the guidance and supervision of the Audit and Risk Management Committee, and reports its work to the Audit and Risk Management Committee.

During the reporting period, the Audit and Risk Management Committee reviewed risk management and internal control and expressed their reasonable opinion, and considered that such risk management and internal control systems are effective and adequate.

The decisions of the Board did not deviate or violate any recommendations about selection, appointment or dismissal of external auditors made by the Audit and Risk Management Committee.

CORPORATE GOVERNANCE REPORT

During the reporting period, the Audit and Risk Management Committee reviewed 2023 annual results announcement and annual report, 2024 interim results announcement and interim report, auditing planning of external auditor, and the auditors' report for 2023 and the 2024 interim review report prepared by BDO China SHU LUN PAN Certified Public Accountants LLP.

In 2024, the Audit and Risk Management Committee held three meetings, to mainly consider the following issues:

Session of the Audit and Risk Management Committee's meetings

	Date	Major issues considered
The first meeting of the Audit and Risk Management Committee of the third session of the Board for 2024	26 March 2024	(I) To consider the Proposal on the 2023 Annual Report and Results Announcement of the Company;
		(II) To consider the Proposal on the Final Financial Report of the Company for 2023;
		(III) To consider the Proposal on the Preliminary Annual Profit Distribution Plan of the Company for 2023;
		(IV) To consider the Proposal on Payment of Auditor Fee of the Company for 2023 and Appointment of Auditor for 2024;
		(V) To consider the Proposal on Internal Risk Control Report for 2023;
		(VI) To consider the Proposal on the Compliance Assessment Report of the Company for 2023;

CORPORATE GOVERNANCE REPORT

Session of the Audit and Risk Management Committee's meetings

	Date	Major issues considered
		(VII) To consider the Proposal on the Performance Report of Audit and Risk Management Committee of the Board of the Company for 2023;
		(VIII) To consider the Proposal on the Internal Audit Work Summary for 2023 and Internal Audit Work Plan for 2024.
The second meeting of the Audit and Risk Management Committee of the third session of the Board for 2024	23 August 2024	To consider the Proposal on Interim Results Announcement and Interim Report for 2024.
The third meeting of the Audit and Risk Management Committee of the third session of the Board for 2024	18 November 2024	To consider the Proposal on Change of Auditor of the Company for 2024.

Attendance of each member at the meetings is as follows:

No.	Name	Position	Number of attendance/ Number of meetings
1	Na Pengjie	Chairman of the committee	3/3
2	Wu Yuntian	Member	3/3
3	Chu Ching	Member	3/3

CORPORATE GOVERNANCE REPORT

c. *Nomination Committee*

The Nomination Committee of the Company was established in June 2015. It currently consists of three Directors, including one executive Director and two independent non-executive Directors. Due to the change of the session of the Board, Mr. Liu Feixiang was appointed as the chairman of the Nomination Committee as considered and approved at the first meeting of the third session of the Board. The other members of the committee are Mr. Wu Yuntian and Ms. Chu Ching. On 6 July 2023, the Board of the Company received the resignation report from Mr. Liu Feixiang, an executive Director. Mr. Liu Feixiang resigned as an executive Director and the chairman of the Board of the Company due to his age, and resigned as the chairman of the Nomination Committee of the Company. As considered and approved at the sixth meeting of the third session of the Board, Mr. Zhao Hui was elected as the chairman of the Nomination Committee of the third session of the Board. On 31 May 2024, the Board of the Company received the resignation report from Mr. Zhao Hui, an executive Director, who resigned as an executive Director and the Chairman of the Board of the Company due to change in work arrangements and also resigned as the chairman of the Nomination Committee of the Company. As considered and approved at the twelfth meeting of the third session of the Board, Mr. Tong Pujiang was elected as the chairman of the Nomination Committee of the third session of the Board.

The Nomination Committee of the Company is primarily responsible for formulating the nomination procedures and standards for candidates for Directors, which include, among other things:

- to examine the structure, number of members and composition (including professional skill, knowledge and experience of related aspects) of the Board at least once a year;
- to formulate the nomination procedures and standards for Directors and senior management, and to make suggestions on the proposed changes of the Board with the aim to facilitate the Company's strategies;
- to assess the independence of independent Directors;
- to assess and review the candidates for Directors and senior management to be potentially appointed by the Board, and make suggestions to the Board on plans for appointment, re-appointment and succession of Directors.

CORPORATE GOVERNANCE REPORT

In 2024, the Nomination Committee held four meetings to mainly consider the following issues:

Session of the Nomination

Committee's meetings	Date	Major issues considered
The first meeting of the Nomination Committee of the third session of the Board for 2024	26 March 2024	To consider the Proposal on the Performance Report of Nomination Committee of the Board of the Company for 2023.
The second meeting of the Nomination Committee of the third session of the Board for 2024	31 May 2024	<p>(I) To consider the Proposal on Nomination of Directors of the Third Session of the Board of the Company;</p> <p>(II) To consider the Proposal on Adjustment of Senior Management Members of the Company;</p> <p>(III) To consider the Proposal on Re-designating Mr. Tong Pujiang from Non-executive Director to Executive Director.</p>
The third meeting of the Nomination Committee of the third session of the Board for 2024	8 July 2024	To consider the Proposal on Nomination of Directors of the Third Session of the Board of the Company.
The fourth meeting of the Nomination Committee of the third session of the Board for 2024	30 December 2024	To consider the Proposal on Adjustment of Certain Senior Management Members of the Company.

CORPORATE GOVERNANCE REPORT

Attendance of each member at the meetings is as follows:

No.	Name	Position	Number of attendance/ Number of meetings
1	Tong Pujiang	Chairman of the committee	2/2
2	Wu Yuntian	Member	4/4
3	Chu Ching	Member	4/4
4	Zhao Hui (resigned)	Chairman of the committee	1/1

Note: On 31 May 2024, the Board of Directors received the resignation report from Mr. Zhao Hui, an executive Director. Mr. Zhao Hui resigned as an executive Director and the chairman of the Board of Directors due to change in work arrangements, and resigned as the chairman of the Nomination Committee of the Company, so he did not attend the meetings of the Nomination Committee held thereafter. Mr. Tong Pujiang was elected as the chairman of the Nomination Committee of the third session of the Board of Directors on 31 May 2024, so he did not attend the meetings of the Nomination Committee held before that.

d. Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee of the Company was established in June 2015. It currently consists of three Directors, including one executive Director and two independent non-executive Directors. Due to the change of the session of the Board, Ms. Chu Ching was appointed as the chairlady of the Remuneration and Evaluation Committee as considered and approved at the first meeting of the third session of the Board. The other members of the committee are Mr. Liu Feixiang and Mr. Na Pengjie. On 6 July 2023, the Board of the Company received the resignation report from Mr. Liu Feixiang, an executive Director. Mr. Liu Feixiang resigned as an executive Director and the chairman of the Board of the Company due to his age, and resigned as a member of the Remuneration and Evaluation Committee of the Company. As considered and approved at the sixth meeting of the third session of the Board, Mr. Zhao Hui was elected as the chairman of the Remuneration and Evaluation Committee of the third session of the Board. On 31 May 2024, the Board of the Company received the resignation report from Mr. Zhao Hui, an executive Director, who resigned as an executive Director and the chairman of the Board of the Company due to change in work arrangements and also resigned as a member of the Remuneration and Evaluation Committee of the Company. As considered and approved at the twelfth meeting of the third session of the Board, Mr. Tong Pujiang was elected as a member of the Remuneration and Evaluation Committee of the third session of the Board.

CORPORATE GOVERNANCE REPORT

The Remuneration and Evaluation Committee of the Company is primarily responsible for formulating and reviewing the remuneration policies and schemes for the Company's Directors and senior management, which include, among other things:

- to make recommendations to the Board on the Company's policies and structure for the remuneration of Directors and senior management;
- to study the performance assessment management measures for the Company's Directors and senior management, to formulate assessment standards, and to determine the assessment objectives;
- to review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment, to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct;
- to develop formal, fair, reasonable and transparent remuneration system, to supervise the effective implementation of the Company's remuneration system, and to consider the Company's share incentive plan(s) and provide recommendations thereon.

Under the code provision E.1.2(c)(ii) of Part 2 of the CG Code, the Remuneration and Evaluation Committee has made recommendations to the Board on the remuneration of Directors and senior management.

In 2024, the Remuneration and Evaluation Committee held three meetings to mainly consider the following issues:

Session of the Remuneration and Evaluation Committee's meetings	Date	Major issues considered
The first meeting of the Remuneration and Evaluation Committee of the third session of the Board for 2024	26 March 2024	(I) To consider the Proposal on the Remuneration of the Directors and Supervisors of the Company for 2023;
		(II) To consider the Proposal on the Remuneration of the Senior Management of the Company for 2023;

CORPORATE GOVERNANCE REPORT

Session of the Remuneration and Evaluation Committee's meetings	Date	Major issues considered
		(III) To consider the Proposal on the Performance Report of Remuneration and Evaluation Committee of the Board of the Company for 2023.
The second meeting of the Remuneration and Evaluation Committee of the third session of the Board for 2024	19 July 2024	<p>(I) To consider the Proposal on the Management Measures for Term of Office and Contractualisation of the Management Members of the Company;</p> <p>(II) To consider the Proposal on the Management Measures for Business Performance Assessment of the Management Members of the Company;</p> <p>(III) To consider the Proposal on the Management Measures for the Remuneration of the Management Members of the Company;</p> <p>(IV) To consider the Proposal on the Implementation Plan for the 2024 Business Performance Assessment of the Management and the Management Members of the Company.</p>

CORPORATE GOVERNANCE REPORT

Session of the Remuneration and Evaluation Committee's meetings	Date	Major issues considered
The third meeting of the Remuneration and Evaluation Committee of the third session of the Board for 2024	28 November 2024	To consider the Proposal on the Amendments to the Management Measures for the Remuneration of External Directors of CRCC High-Tech Equipment Corporation Limited

Attendance of each member at the meetings is as follows:

No.	Name	Position	Number of attendance/ Number of meetings
1	Chu Ching	Chairlady of the committee	3/3
2	Tong Pujiang	Member	2/2
3	Na Pengjie	Member	3/3
4	Zhao Hui (resigned)	Member	1/1

Note: On 31 May 2024, the Board of Directors received the resignation report from Mr. Zhao Hui, an executive Director. Mr. Zhao Hui resigned as an executive Director and the chairman of the Board of Directors due to change in work arrangements, and resigned as a member of the Remuneration and Evaluation Committee of the Company, so he did not attend the meetings of the Remuneration and Evaluation Committee held thereafter. Mr. Tong Pujiang was elected as a member of the Remuneration and Evaluation Committee of the third session of the Board of Directors on 31 May 2024, so he did not attend the meeting of the Remuneration and Evaluation Committee held before that.

CORPORATE GOVERNANCE REPORT

e. Corporate governance functions

The Board is responsible for the following corporate governance functions:

1. to formulate and review the Company's corporate governance policies and practices and make recommendations;
2. to review and monitor the training and continuous professional development of the Directors and senior management members;
3. to review and monitor the Company's policies and practices on compliance, laws and regulations;
4. to formulate, review and monitor any code of conduct and compliance manual applicable to employees and Directors; and
5. to review the Company's compliance with the CG Code and the disclosure of corporate governance report as set out in the annual report of the Company.

During the reporting period, the Board reviewed and supervised from time to time the implementation of a series of corporate governance documents; reviewed and actively organized training and continuing professional development for Directors and senior management; reviewed and monitored whether there was any violation of laws and regulatory requirements by the Company; approved the Corporate Governance Report of the Company for 2023, and approved the disclosure on the website of the Stock Exchange and the Company's website of the same; and formulated, reviewed and supervised Shareholder communications policy to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT

V. CHAIRMAN AND GENERAL MANAGER

The offices of the chairman and the general manager of the Company are held by different persons. Mr. Tong Pujiang is the chairman and Mr. Xiang Daqiang is the general manager of the Company. The division of responsibilities between them has been clearly established and set out in writing. The chairman is responsible for leadership of the Board and chairing Board meetings, while the general manager is responsible for the Company's daily operations.

(I) Chairman

According to the Articles, the chairman primarily exercises the following functions and powers:

- (1) to preside over general meetings, and to convene and preside over Board meetings;
- (2) to supervise and check the implementation of general meeting resolutions and Board resolutions;
- (3) to sign important documents of the Board and other documents that should be signed by the legal representative of the Company;
- (4) to exercise certain functions and powers of the Board in accordance with authorization of the Board during intermissions of the meetings of the Board;
- (5) to sign the securities issued by the Company;
- (6) to organize the formulation of relevant systems relating to the Board and to coordinate with its operation;
- (7) in case of emergency circumstances of force majeure events such as war, extraordinary natural disasters, to exercise special discretion and power of disposition which comply with legal provisions and are in the interests of the Company on matters of the Company and provide post-event reports to the Board and the general meeting;
- (8) to listen to the reports of the general manager, other senior management and persons in charge of the invested enterprises of the Company;
- (9) other functions and powers granted by the Board.

CORPORATE GOVERNANCE REPORT

(II) General Manager

The general manager of the Company is responsible to the Board of the Company. The general manager and the management team under his/her leadership exercise the following functions and powers:

- (1) to take charge of the production, operation and management of the Company, to organize implementation of resolutions of the Board, and to report his/her work to the Board;
- (2) to organize the implementation of annual operation plans and investment plans of the Company;
- (3) to establish plans for establishment of the Company's internal management structure;
- (4) to establish the Company's basic management system;
- (5) to formulate the basic rules and regulations of the Company;
- (6) to propose to the Board of Directors the appointment or dismissal of any vice general manager, chief accountant, chief engineer and chief economist of the Company;
- (7) to appoint or dismiss of management members other than those whose appointment or dismissal shall be decided by the Board of Directors;
- (8) to propose the convening of interim meetings of the Board;
- (9) other functions and powers granted by the Board.

VI. INDEPENDENT NON-EXECUTIVE DIRECTORS

According to the Articles, independent non-executive Directors are elected at the general meeting for a term of three years. Upon expiry of the term, they are eligible for re-election and re-appointment for no more than nine years, except otherwise expressly provided by relevant laws, regulations and listing rules of the stock exchange on which the Company's shares are listed.

Each of the independent non-executive Directors has issued a confirmation to the Company in respect of the factors set out in Rule 3.13 of the Listing Rules concerning his/her independence. The Company considers all of the independent non-executive Directors to be independent.

CORPORATE GOVERNANCE REPORT

VII. BOARD DIVERSITY POLICY

When determining the composition of the Board, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and term of service. All appointments of the Board will be based on meritocracy, and candidates will be considered with due regard to the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and term of service. The ultimate decision will be based on merits of the candidates and the contribution that they can bring to the Board.

The Board has set measurable objectives (including the aforesaid measurable objectives) to implement the policy and the Nomination Committee is responsible for reviewing such objectives from time to time to ensure their appropriateness and monitoring the progress made towards achieving those objectives, and reviewing the policy, as appropriate, to ensure its continued effectiveness from time to time.

During the reporting period, the Nomination Committee has considered the Board diversity policy and also reviewed the educational level, skills, experiences and diversities of the Board to determine if they were sufficient to enhance the efficiency of the Board and maintain the high standard of corporate governance. After full consideration, the Nomination Committee believed that the current composition of the Board is balanced and diversified, and one of the nine members of the Board is a female, which fully considers the Company's actual situation and is suitable for the business development of the Company. Therefore, the Board diversity policy was fulfilled during the reporting period. The Board aims to maintain the proportion of its female members at least at the current level.

In addition, as of 31 December 2024, female employees accounted for approximately 20.18% of all employees (including senior management members) of the Company. The Company aims to maintain the proportion of females in all employees of the Company at the current level, so as to achieve sustainable gender diversity.

VIII. NOMINATION OF DIRECTORS

Directors are elected at general meetings in accordance with the Articles. Written notices of intention to nominate a candidate for the post of Director and the candidate's agreement to be nominated must be given to the Company after the date of the notice of the general meeting and at least seven days prior to the holding of the general meeting.

CORPORATE GOVERNANCE REPORT

IX. REMUNERATION OF SENIOR MANAGEMENT

According to the code provision E.1.5 of Part 2 of the CG Code, the range of annual remuneration of the members of the senior management for 2024, whose particulars are contained in the section headed “Directors, Supervisors and Senior Management” in this report, is set out below:

For the year ended 31 December 2024

Remuneration band (RMB)	Number of individuals
RMB1,000,000 and above	1
RMB500,000 (inclusive) to RMB1,000,000	4
Below RMB500,000	2
Total	7

Note: The above remuneration bands represents the remuneration of senior management during their term of office. In particular, Mr. E Baosheng, Mr. Ma Changhua, Mr. Li Hongda and Mr. Xu Shengwei ceased to serve as senior management since December 2024, Mr. Zhou Huipeng resigned as the general manager in May 2024, Mr. Zhang Baoming has retired and ceased to serve as senior management since October 2024, and Mr. Zhou Huipeng and Mr. Chen Yongxiang were appointed as deputy general managers of the Company in December 2024.

X. REMUNERATION OF THE AUDITORS

Grant Thornton Zhitong Certified Public Accountants LLP is the auditor of the Company for 2024. For the year ended 31 December 2024, the services provided and the remuneration received by BDO China SHU LUN PAN Certified Public Accountants LLP and Grant Thornton Zhitong Certified Public Accountants LLP are as follows:

Services	Fee (RMB)
Auditing fee for 2024 financial statements	800,000
Interim review for 2024	351,000
Total	1,151,000

Note: BDO China SHU LUN PAN Certified Public Accountants LLP provided the 2024 interim review services to the Company, and Grant Thornton Zhitong Certified Public Accountants LLP provided audited services of 2024 for the Company.

CORPORATE GOVERNANCE REPORT

XI. DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors confirm that they are responsible for the preparation of financial statements for the financial year ended 31 December 2024, to give a true and fair report of the Company's financial position and financial performance.

According to the code provision D.1.1 of Part 2 of the CG Code, the management provides such explanation and data to the Board to enable the Board to make informed assessment on the financial and other data to be approved by the Board. The Company also provide updates on the Company's results, financial positions and prospect to the members of the Board on a monthly basis.

The Directors were not aware of any material uncertainty which may affect the Company's business or cast significant doubt on the Company's ability to continue as a going concern.

XII. JOINT COMPANY SECRETARIES

Mr. Law Chun Biu and Mr. Ma Changhua were appointed as joint company secretaries of the Company on 23 November 2015. Mr. Ma Changhua resigned as the joint company secretary in December 2023 due to his work arrangements, and Mr. Li Wanqing was appointed as the joint company secretary of the Company in December 2023, and he and Mr. Law Chun Biu jointly serve as the company secretary.

Mr. Law Chun Biu, aged 51, serves as one of the joint company secretaries of the Company. He joined the Company and was appointed as a joint company secretary in November 2015. From March 2000 to December 2002, Mr. Law worked for Harbor Ring Management Limited as an assistant accounting manager. From March 2003 to October 2006, he was a senior accountant of Tonic Electronics Ltd. From October 2006 to April 2007, he was a finance manager of Fuji Kon Industrial Co. Ltd. Since December 2007, he has been a joint company secretary of China Railway Construction Corporation Limited. Mr. Law is a member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Law obtained a bachelor's degree from Hong Kong University of Science and Technology in 1997, majoring in business administration. He obtained a master's degree from Hong Kong Polytechnic University in 2006, majoring in information systems.

Details of biography of Mr. Li Wanqing are set out in the section of "Directors, Supervisors and Senior Management".

The Company confirms that during the reporting period, each of Mr. Law Chun Biu and Mr. Li Wanqing has received no less than 15 hours of relevant professional trainings in compliance with Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

XIII. CONSTITUTIONAL DOCUMENTS

The Company's first extraordinary general meeting of 2015 was convened on 24 June 2015 to consider and approve the resolution on Adoption of the Articles after Issuance and Listing of H Shares of CRCC High-Tech Equipment Corporation Limited, and to approve the applicable Articles (Draft) after issuance and listing of H Shares. Those Articles came into force since the listing date of H Shares on the Main Board of the Stock Exchange. The Company was approved to make amendments to the Articles upon the consideration and approval at the 2017 annual general meeting on 29 June 2018 in accordance with relevant requirements and regulations of the State-owned Assets Supervision and Administration Commission of the State Council, China Securities Regulatory Commission and relevant national regulatory authorities. On 28 June 2019, with the approval from the Company's 2018 annual general meeting, the Company, as an enterprise controlled by the Central Government, made certain amendments to the Articles under relevant requirements and regulations. On 27 March 2020, with the approval from the Company's first extraordinary general meeting of 2020, the Company made certain amendments to the Articles according to the amendments of relevant laws and regulations and based on the Company's actual situation. On 23 June 2020, with the approval from the Company's 2019 annual general meeting, the Company made certain amendments to the Articles according to the changes in the Company's business scope and based on the Company's actual situation. On 28 June 2021, according to the changes in the Company's business scope and based on the Company's actual situation, the Company made certain amendments to the Articles. On 21 October 2022, according to the changes in the Company's business scope and based on the Company's actual situation, the Company made certain amendments to the Articles.

XIV. RISK MANAGEMENT AND INTERNAL CONTROL

According to regulating documents such as CG Code, Guidelines on Comprehensive Risk Management of Enterprises controlled by the Central Government, Normal Regulations on Internal Control of Enterprises and its auxiliary guidelines, the Company established Measures on Internal Control and Comprehensive Risk Management of CRCC High-Tech Equipment Corporation Limited, setting a comprehensive and throughout risk management and internal control system which will be participated by all employees.

The Company closely adhered to its development strategy. We collected initial information of risk management, organized regular risk identification analysis and assessment, established risk management strategy, offered and implemented risk management resolutions, and supervised and improved the dead loop workflow of the risk management, to prevent the Company from suffering from major and material risk incidents.

CORPORATE GOVERNANCE REPORT

The Company has a sound organization system of internal control. The Board is responsible for the establishment, improvement and effective implementation of the risk management and internal control systems. An annual year-end review of the effectiveness of the Company's and its subsidiaries' risk management and internal control systems during the Year has been conducted. Guided by the Board and the Audit and Risk Management Committee, the audit department of the Company carries out inspection, supervision and evaluation for internal controls of the Company and its branches and subsidiaries in respect of important control functions such as financial control, operation control, compliance control and risk management, supervises and timely rectifies internal control deficiencies and effectively controls operating risks.

The objectives of internal control of the Company include ensuring a legal and compliance management, asset safety, accuracy and completeness of financial reports and related information in a reasonable manner, enhancing its operating efficiency and results, and promoting the implementation of strategy development. Due to the intrinsic limitations of internal control system, only reasonable guarantees can be provided for the abovementioned objectives. In addition, the effectiveness of its internal control is subject to change according to the changes of internal and external environment and operations. Inspection and supervision system is established for the Company. In case of shortcomings found, the Company will adopt rectification measures immediately.

Through the Audit and Risk Management Committee and the audit and risk control department, the Board arranged an assessment to the risk management and internal control system of the Company and considered that the Company optimized the overall risk management system, improved the work mechanism and strengthened the supervision and early warning by continuously strengthening mechanism construction, conducting risk assessment, risk analysis and risk monitoring and control, improving material risk mitigation and special risk prevention, consolidating the results of risk management and continuously facilitating the organic integration of risk management and business management during the Year, which gradually enhanced its risk management ability, continuously improved the operational management of the Company, and ensured that the Company was able to resist changes in internal business and external environment in terms of finance, operation and risk management, to safeguard the safety of the asset of the Company and the interest of the Shareholders.

The Company has prepared the "Owner of Inside Information Management Regulation of CRCC High-Tech Equipment Corporation Limited" according to provisions relating to disclosure of inside information of the Hong Kong Stock Exchange and the Securities and Futures Commission of Hong Kong, to identify inside information, and to protect and supervise the timely management and disclosure of inside information, so as to safeguard the legal interests of investors.

CORPORATE GOVERNANCE REPORT

XV. SHAREHOLDERS' RIGHTS

1. Convening extraordinary general meetings

Shareholders holding more than 10% of shares of the Company (individually or together with others) shall be entitled to request the Board to convene an extraordinary general meeting upon signing one or several written requests with the same content and format, and stating the subject of the meeting. If the Board agrees to convene an extraordinary general meeting, it shall issue a notice of general meeting within five days upon making the Board decision. If the Board disagrees to convene an extraordinary general meeting, or does not reply within 10 days upon receipt of the request, Shareholders individually or together holding more than 10% of the shares of the Company are entitled to request the Supervisory Committee in writing to hold an extraordinary general meeting. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall issue a notice of general meeting within five days upon receipt of the request. If the Supervisory Committee does not issue the notice of general meeting within the prescribed period, it shall be deemed as the Supervisory Committee not convening and not presiding over the general meeting. Then the Shareholders who individually or together hold more than 10% of the shares for more than 90 consecutive days may convene and preside over the meeting by themselves.

2. Putting enquiries to the Board

The Company's information shall be communicated to the Shareholders mainly through general meetings (including annual general meetings), the Company's financial reports (interim reports and annual reports), and its corporate communications posted on the Company's website and the Hong Kong Stock Exchange's HKExnews website.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any relevant inquiries shall be first directed to the company secretary at the Company's principal place of business in Hong Kong or the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

3. Putting proposals at general meetings

Any Shareholder solely holding, or Shareholders aggregately holding, more than 3% of shares of the Company may put forward an interim proposal and submit the same in writing to the convener 10 days prior to the convening of the general meeting. Besides, Shareholder(s) should follow the above procedures for "Convening the extraordinary general meetings" for putting forward proposals at general meetings. The Company shall include the matters in the proposals which are within the scope of the terms of reference of the general meetings in the agenda of the meeting.

CORPORATE GOVERNANCE REPORT

XVI. INVESTOR RELATIONS

The Company is of the view that effective communication with Shareholders is critical for strengthening investor relation and attracting investors. In 2024, the Company upheld the principles of openness, fairness and impartiality and maintained timely and thorough communication with its investors.

The Company strictly complied with the governing provisions of the Listing Rules regarding information disclosure and disclosed any information affecting investors immediately and accurately and completely in accordance with preparation rules and procedures of information disclosure, to ensure all investors receiving information of the Company fairly and sufficiently.

The Company has set up an investor relation column on its website to timely provide the Company's annual reports, interim reports, announcements of material matters, stock information and corporate governance information, so as to satisfy the needs of investors as much as possible. The Company has established the working department of the Board to handle the matters related to investor relation, designated special personnel to answer phone calls from investors, arranges site visits of investors and handles e-mails and fax from investors. It also convenes results announcement presentations and actively participates in various investor relation meetings, to ensure the rights to information of public Shareholders and strengthen investors' confidence in the Company. Through the above measures and procedures for communication with investors, the Company has examined and reviewed the implementation and effectiveness of the relevant investor communication policies during the reporting period, and is of the view that the above policies and measures can ensure the effective communication between the Company and investors.

The Company will continue to improve the investor relation management system and further enhance the quality of communication with its investors.

CORPORATE GOVERNANCE REPORT

XVII. DIVIDEND POLICY

The Company's profit available for distribution in cash is expected to be approximately 20% to 40% of the distributable profit of the Year. The amount of dividend to be declared and paid after the Global Offering shall depend on the following factors:

- general business conditions;
- results of operations and financial results/conditions;
- working capital;
- capital requirements and future prospects;
- cash flows; and
- any other factors which the Board deems relevant.

The historical dividends of the Company may not be indicative of future dividend payments. The declaration and payment of dividends may also be subject to legal restrictions or financing arrangements that we may enter into in the future.

As confirmed by Grant Thornton Zhitong Certified Public Accountants LLP, net profit attributable to the owners of the Company in 2024 as set out in the consolidated financial statements prepared under the China Accounting Standards for Business Enterprises amounted to RMB128,205,804.33.

The distributable profit of the Company as of 31 December 2024 will be allocated in the following priority:

1. RMB10,331,682.36, being 10% of the net profit achieved in 2024, will be appropriated as statutory surplus reserve, upon which, profit available for distribution in the consolidated financial statements for the Year will be RMB787,189,578.06;
2. Cash dividends of RMB0.028 per share (tax inclusive), totaling RMB42,556,752.00 (tax inclusive) based on the total share capital of 1,519,884,000 as at 31 December 2024, upon which, the balance of RMB744,632,826.06 will be carried forward to the next year.

DIRECTORS' REPORT

The Board hereby presents to the Shareholders the Directors' Report and the audited financial statements of the Company prepared in accordance with the China Accounting Standards for Business Enterprises for the year ended 31 December 2024.

PRINCIPAL BUSINESS

The Company is mainly engaged in the research, development, manufacture and sale of large railway track maintenance machines, parts and components sales and services, overhaul services, railway line maintenance services as well as engineering and technical services within the field of track vehicle.

There was no material change in the nature of the Company's main business during the reporting period.

OPERATING RESULTS

The financial and operating results of the Company for the year ended 31 December 2024 are set out in the section headed "Management Discussion and Analysis" of this report.

MAJOR RISKS AND UNCERTAINTIES

The Board is ultimately responsible for the sufficient risk control measures of the Company, so as to directly and effectively reduce the major risks faced by the Company during the business operation. The Board delegates part of its responsibilities to each of the function departments.

The Company's business operation and financial position may be affected by the following major risks:

Regulatory risks

The majority of the Company's core businesses are subject to the regulatory requirements of the following laws, regulations and departmental rules:

- Railway Law of the PRC promulgated by the Standing Committee of the National People's Congress on 7 September 1990 and amended on 27 August 2009 and 24 April 2015;
- Regulation on Administration of Railway Safety promulgated by the State Council on 17 August 2013 and enforced on 1 January 2014;

DIRECTORS' REPORT

- Measures for Railway Engineering Machinery Parts Management (《鐵路工務機械車配件管理辦法》) promulgated by China State Railway Group Co., Ltd. on 31 August 2017 and implemented on 1 March 2018;
- Measures for License for Design, Manufacture, Maintenance and Import of Railway Locomotives and Vehicles promulgated by the Ministry of Transport on 3 February 2019 and enforced on 5 March 2019;
- Rules for the Implementation of License for Design, Manufacture, Maintenance and Import of Railway Locomotives and Vehicles promulgated and enforced by the State Railway Administration on 28 April 2019.

In 2024, the Company also paid close attention to the legislative developments of the industry while operating in compliance with the regulatory requirements under the abovementioned laws, regulations and departmental rules. Throughout the Year and up to the date of this report, the Group has complied with relevant laws and regulations that have a significant impact on the business and operations of the Group in material aspects. If there are any changes to applicable laws, rules and regulations, the Group will notify relevant employees and relevant operating units of the same from time to time.

Policy risks

The business and financial performance of the Company may be affected by changes in the PRC governmental policies in respect of the large railway track maintenance machinery industry; any decrease in public spending on, or any change in public procurement policies or industry standards relating to China's rail transportation system could materially affect our business.

Market risks

The Company's market risks are mainly from its major customers and major suppliers:

Most of the Company's revenue comes from major customers. Therefore, the loss of one or more major customers or customer groups or changes in their orders or the terms of the contracts may have a material adverse impact on the Company's business. The market uncertainties caused by the reform of China State Railway Group Co., Ltd., being a major customer of the Company, may have a material impact on the business of the Company.

DIRECTORS' REPORT

The largest supplier of the Company is Zhuzhou Times Electronic Technology Co., Ltd.* (株洲時代電子技術有限公司), the purchase from whom is attributable to approximately 11.86% of the Company's total purchase for the Year, and the purchase attributable to our five largest suppliers amounted to approximately 27.55% of our total purchase for the Year. Significant changes in the relationship between the Company and its major suppliers may have a material adverse impact on the business of the Company.

In addition, other market risks, including foreign exchange risk and interest rate risk, also have an impact on the business and operation of the Company, details of which are set out in Note VIII-1 to the financial statements of this report.

Operating risks

Operating risks generally include risks resulting from inadequate internal processes and the risks resulting from human errors in internal operations or other reasons. For example, defective products resulting from human errors in internal operations may lead to product claims or incur losses against the Company.

In order to manage these risks, the Company has established a mature internal control system and improved business processes, so as to minimize the adverse effects of such risks on the Company.

ENVIRONMENTAL POLICY

The Company will perform its social responsibilities and strictly implement the Environmental Protection Law of the PRC and other requirements under applicable laws and regulations on environmental protection from the perspective of corporate sustainability and development, as well as carry out solid environmental protection technical renovation work and regulate the environmental protection indexes. In particular, the Company will standardize the management of operation and maintenance of environmental facilities, and improve the efficiency of environmental protection facilities, so as to ensure efficient operation and standard emission. Adhering to the principle of "safety and reliability, mature technology and being cost-effective", the Company will continue to optimize and refine the process of the technological improvement, and advance the implementation of environmental technical renovation in a continuous manner.

DIRECTORS' REPORT

BUSINESS MODEL AND DIRECTION OF STRATEGY

The Company insists on the market-oriented principle of development and is committed to creating sustainable value for the Shareholders in order to achieve sustainable development. Manufacturing and sales of large railway track maintenance machines, parts and components sales and services, overhaul services, railway line maintenance services as well as engineering and technical services within the field of track vehicle are the major sources of income of the Company. The key strategies of the Company include:

Development of the industrial park regarding national large railway track maintenance machinery high-tech industry and CRCC's southwest industrial base regarding underground engineering equipment will enable the Company to achieve its target of becoming a "world class, domestic leading" enterprise, proactively create a modern and service-oriented business model, adhere to professionalism, digitalization and globalization along the path. The Company will also attempt to cultivate and strengthen its capabilities in nine aspects, including developing and strengthening its capabilities of market exploitation and prompt reaction, providing comprehensive and throughout service, pioneering innovation, efficient resource allocation, integration and management, enterprise management and innovation, leading, promoting and regulating of "mechanism +", transforming and upgrading "digitalization +", dynamic realizing of "the Party building +", and improving "executive force +" and "training force +". Based on these capabilities, we will focus on product innovation, diligently enhance overall competitiveness, and effectively transform reform results into economic benefit.

RESULTS AND DIVIDENDS (RESERVE AVAILABLE FOR DISTRIBUTION)

For results of the Company for the year ended 31 December 2024 prepared in accordance with the China Accounting Standards for Business Enterprises, please refer to the audited financial statements of this report. The annual results for the year ended 31 December 2024 of the Company have been reviewed by the Audit and Risk Management Committee of the Company.

As at 31 December 2024, reserve available for distribution of the Group (before distribution of the final dividend) amounted to RMB787.19 million. The Board proposed to distribute final dividend in cash of RMB0.028 per share (applicable tax inclusive) for the Year, totaling RMB42.56 million (applicable tax inclusive).

The proposed dividend is subject to approval by the Shareholders at the 2024 annual general meeting of the Company to be held in 2025. Upon consideration and approval, final dividend for the year ended 31 December 2024 is expected to be paid on or around 22 August 2025.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in Note V-12 to the financial statements.

SHORT-TERM BORROWINGS

The Group had no short-term borrowings as at 31 December 2024.

LONG-TERM BORROWINGS

The Group had no long-term borrowings as at 31 December 2024.

SHARE CAPITAL

As of 31 December 2024, the share capital of the Company was 1,519,884,000 shares, of which 531,900,000 shares were H Shares.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the reporting period, there was no purchase, redemption or sale of any listed securities of the Company by the Company or any of its subsidiaries.

PRE-EMPTIVE RIGHTS

According to the relevant laws of the PRC, the Shareholders have no pre-emptive right to subscribe for shares on a pro rata basis.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The Company's major customers include China State Railway Group Co., Ltd. and its affiliated enterprises, local railway operators and railway construction companies. During the Year, the revenue from the sales of goods and provision of services in aggregate attributable to China State Railway Group Co., Ltd. and its affiliated enterprises was approximately 64.12% of the Group's total operating revenue while the revenue from the sales of goods and provision of services in aggregate attributable to our five largest customers was approximately 26.83% of the Group's total revenue. The Group's top five customers are independent third parties.

Saved as disclosed above, none of the Directors, their close associates or those Shareholders so far as is known to the Directors having more than 5% interest in the share capital of the Company, had any interest in the Group's five largest customers during the Year.

The largest supplier of the Company is Zhuzhou Times Electronic Technology Co., Ltd.* (株洲時代電子技術有限公司), the purchase from whom is attributable to approximately 11.86% of the Company's total purchase, and the purchase attributable to our five largest suppliers amounted to approximately 27.55% of our cost for the Year. Significant changes in the relationship between the Company and our major suppliers may have a material adverse impact on our business.

Saved as disclosed above, none of the Directors, their close associates or those Shareholders so far as is known to the Directors having more than 5% interest in the share capital of the Company, had any interest in any of the Company's five largest suppliers during the Year.

DIRECTORS' REPORT

DIRECTORS AND SUPERVISORS OF THE COMPANY

The Directors and Supervisors of the Company in 2024 and up to the date of this report are as follows:

1. Composition of the Board

The Directors of the Company throughout the Year and up to the date of this report are as follows:

Name	Position in the Company	Commencement date of serving as Director of the Company
Tong Pujiang	Executive Director and chairman of the Board	15 September 2017
Xiang Daqiang	Executive Director and general manager	28 June 2024
Chen Yongxiang	Executive Director	22 June 2017
Mo Bin	Executive Director	27 November 2023
Lyu Jing	Non-executive Director	9 August 2024
Xie Huagang	Non-executive Director	28 June 2024
Wu Yuntian	Independent non-executive Director	21 October 2022
Na Pengjie	Independent non-executive Director	21 October 2022
Chu Ching	Independent non-executive Director	21 October 2022
Zhao Hui	Executive Director and chairman of the Board (resigned)	15 September 2017 to 31 May 2024
Zhou Huipeng	Executive Director (resigned)	27 November 2023 to 2 July 2024
Bai Yunfei	Non-executive Director (resigned)	21 October 2022 to 31 May 2024

DIRECTORS' REPORT

2. Composition of the Supervisory Committee

The Supervisors of the Company throughout the Year and up to the date of this report are as follows:

Name	Position in the Company	Commencement date of serving as Supervisor of the Company
Ma Changhua	Chairman of the Supervisory Committee and Employee Representative Supervisor	17 January 2025
Zhong Xiangjun	Shareholder Representative Supervisor	23 October 2020
Wang Huaming	Shareholder Representative Supervisor	24 June 2015
Liang Zhijian (resigned)	Chairman of the Supervisory Committee and Employee Representative Supervisor	21 October 2022 to 6 January 2025

BIOGRAPHIES OF DIRECTORS AND SUPERVISORS

Details of the biographies of members of the Board and the Supervisory Committee are set out in "Directors, Supervisors and Senior Management" section of this report.

POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of positions held by Directors, Supervisors and senior management of the Company in entities of substantial Shareholders and other entities are set out in the section headed "Directors, Supervisors and Senior Management" of this report.

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details of the remuneration of the Directors and Supervisors of the Company for the year ended 31 December 2024 are set out in Note X-4 (3) to the consolidated financial statements.

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with all Directors and Supervisors for a term of three years. The service contracts with all Directors and Supervisors shall continue for a term of three years or for a shorter period as may be decided upon at the respective re-elections of the Directors and Supervisors at the general meeting or the employees' representative committee meeting of the Company (as the case may be). Notice of termination of service contracts given by any party shall not be less than three months.

None of the Directors nor Supervisors entered into a service contract with the Company which is not terminable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REPORT

DIRECTORS' AND SUPERVISORS' INTERESTS IN IMPORTANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Year and as at 31 December 2024, none of the Directors, Supervisors nor entities connected with them has or had a material interest, whether directly or indirectly, in any transaction, arrangement or contract (which remain effective during or at the end of the Year) of significance to the business of the Company to which the Company, its holding company or any of its subsidiaries was a party.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year and as at 31 December 2024, none of the Directors, directly or indirectly, had an interest in any business which competes or may compete with the business of the Company and/or its subsidiaries.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND GENERAL MANAGER IN THE SHARES AND DEBENTURES

During the Year and as at 31 December 2024, none of the Directors, Supervisors and the general manager or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or any interests or short positions required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or any personal, family, corporate or other interests or short positions required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

PERMITTED INDEMNITY PROVISIONS

During the reporting period and as at 31 December 2024, the Company has purchased liabilities insurance for the Directors and Supervisors, which provides appropriate insurance for the Directors.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Directors, Supervisors or their respective spouse or children under 18 years old, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors and Supervisors to acquire such rights in any other body corporate.

DIRECTORS' REPORT

EMPLOYEES AND REMUNERATION POLICY

The Company's remuneration policy for its employees takes into account the individuals' post value, work performance and competence. The Company places great emphasis on the provision of on-the-job-training and development of its employees. Each staff member is required to participate in training organized by the Company and its department prior to the commencement of his or her employment. The Company formulates training plans according to its staff position and career development needs and releases its annual training plan at the beginning of year pursuant to which all departments need to organize staff training. The management and other employees are required to undertake training for enhancing work ability as specified by the Company. The Company has established channels for career development of employees. Employees have opportunities of promotion and development according to the orders of different positions within the Company. As at 31 December 2024, the Company had 1,912 full-time employees, and the total amount of remuneration (including salaries and additions) for employees in 2024 was approximately RMB450.14 million.

Remunerations of Directors are proposed by the Remuneration and Evaluation Committee of the Board, which will be submitted to the Board for consideration and subject to approval by the shareholders of the Company at the general meeting. Remunerations of Directors are determined based on the experience and position held by Directors, the Company's performance, industry benchmark remunerations and market condition. For details of remunerations of Directors, please refer to Note X-4 (3) in the financial statements. As of 31 December 2024, the Company did not formulate any long-term incentive schemes.

MANAGEMENT CONTRACT

During the reporting period, there was no management contract entered into in relation to engaging anybody or any entities to perform the management and administration of the whole or any substantial part of any business of the Company.

DIRECTORS' REPORT

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

Structure of Share Capital

The Company's share capital structure as at 31 December 2024 was as follows:

Shareholder	Class	Number of shares	Percentage of issued share capital as at 31 December 2024
China Railway Construction Corporation Limited	Domestic shares	968,224,320	63.70%
China Railway Construction Investment Group Co., Ltd.	Domestic shares	4,939,920	0.325%
China Railway Construction International Group Co., Ltd.	Domestic shares	4,939,920	0.325%
China Civil Engineering Construction Corporation	Domestic shares	4,939,920	0.325%
CRCC China-Africa Construction Limited	Domestic shares	4,939,920	0.325%
Shares in public hands	H Shares	531,900,000	35.00%
Total		1,519,884,000	100%

DIRECTORS' REPORT

Interests and Short Positions of Substantial Shareholders Disclosed According to the SFO

To the knowledge of the Directors, as of 31 December 2024, except for the Directors, Supervisors or the chief executive of the Company, the interests and short positions of any person in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO are set out as follows:

Unit: share

Name of substantial Shareholder	Number of shares held ^{Note 1}	Capacity	Approximate percentage of Domestic Share capital	Approximate percentage of H Share capital	Approximate percentage of issued share capital
China Railway Construction Corporation Limited ^{Note 2}	968,224,320 (L)	Beneficial owner	98.00%	–	63.70%
	19,759,690 (L)	Interest of controlled corporation	2.00%	–	1.30%
China Railway Construction Group Corporation ^{Note 3}	987,984,000 (L)	Interest of controlled corporation	100.00%	–	65.00%
CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited ^{Note 4}	44,285,500 (L)	Beneficial owner	–	8.33% (L)	2.91%
CRRC Zhuzhou Institute Co., Ltd. ^{Note 4}	44,285,500 (L)	Interest of controlled corporation	–	8.33% (L)	2.91%
CRRC Corporation Limited ^{Note 4}	44,285,500 (L)	Interest of controlled corporation	–	8.33% (L)	2.91%
CRRC Group Co., Ltd. ^{Note 4}	44,285,500 (L)	Interest of controlled corporation	–	8.33% (L)	2.91%

Note 1: L – Long Position, S – Short Position.

Note 2: China Railway Construction Corporation Limited (including its wholly-owned subsidiaries, namely China Railway Construction Investment Group Co., Ltd., China Railway Construction International Group Co., Ltd., China Civil Engineering Construction Corporation and CRCC China-Africa Construction Limited) directly or indirectly held a long position of 987,984,000 domestic shares of the Company.

DIRECTORS' REPORT

Note 3: As at 31 December 2024, China Railway Construction Group Corporation directly held approximately 51.23% shares of China Railway Construction Corporation Limited, while China Railway Construction Corporation Limited directly or indirectly held 987,984,000 domestic shares of the Company. Therefore, China Railway Construction Group Corporation was deemed to be interested in these shares.

Note 4: As at 31 December 2024, CRRC Zhuzhou Institute Co., Ltd. held 100% equity interest in CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited and was a wholly-owned subsidiary of CRRC Corporation Limited. CRRC Group Co., Ltd. held 51.45% shares of CRRC Corporation Limited. CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited held 44,285,500 H Shares of the Company. Thus, CRRC Zhuzhou Institute Co., Ltd., CRRC Corporation Limited and CRRC Group Co., Ltd. were deemed to be interested in these shares.

PUBLIC FLOAT

According to publicly available information and as far as the Directors were aware, as at the date of this report, there was a sufficient public float of the Company's issued shares as required under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Transactions conducted between the Group and the following parties constitute continuing connected transactions under the Listing Rules. During the reporting period, details of the Group's continuing connected transactions were as follows:

Non-exempt continuing connected transactions

The following transactions constitute non-exempt continuing connected transactions of the Group and thus are subject to reporting, announcement, annual review and independent Shareholders' approval requirements under the Listing Rules.

The Machinery Equipment and Accessories Sales Framework Agreement with CRCC

The Company renewed the machinery equipment and accessories sales framework agreement (the "**Machinery Equipment and Accessories Sales Framework Agreement**") with CRCC on 29 July 2022, pursuant to which, the Group agreed to provide the following to CRCC and/or its associates for the term commencing from 1 January 2023 and ending on 31 December 2025:

- (i) to sell various kinds of large railway track maintenance machines;
- (ii) to sell machinery and track equipment, facilities and materials;
- (iii) to provide other related or ancillary products and services.

DIRECTORS' REPORT

For details, please refer to the announcement of the Company dated 29 July 2022.

The principal pricing policies of the Machinery Equipment and Accessories Sales Framework Agreement were as follows:

where there are market prices for the relevant products and services, the prices shall be determined with reference to the prevailing market prices at which the same type of products and services provided by the Group to an independent third-party customer on normal commercial terms the prices for the same type of products and services provided by the independent third parties;

where there are no market prices for the relevant products which are applicable to new types of equipment to be tailor-made for the specifications required by the CRCC and/or its associates for its specific business needs, the price shall be determined according to the price to be agreed between the parties: the agreed price will be calculated based on the actual costs, which include raw materials, accessories, depreciation, salary, energy, technology consumption and equipment maintenance, incurred in providing such products plus reasonable profits; the Group will charge a mark-up rate, taking into consideration of the specific types of products, for the transactions on a cost-plus basis. Such mark-up rate charged to the CRCC and/or its associates is generally not lower than 15% for all cases, which is the same mark-up rate charged to an independent third-party customer. The Board is of the view that such mark-up rate is fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

As of 31 December 2024, CRCC directly and indirectly held approximately 65% issued share capital of the Company and was the controlling Shareholder of the Company. Therefore, CRCC and its associates constituted connected persons of the Company, transactions under the Machinery Equipment and Accessories Sales Framework Agreement constituted continuing connected transactions of the Company under the Listing Rules.

The Company convened its 2022 first extraordinary general meeting on 21 October 2022, on which it considered and approved the resolution in relation to the Machinery Equipment and Accessories Sales Framework Agreement and the annual caps thereunder, agreed on the renewal of the Machinery Equipment and Accessories Sales Framework Agreement and set out the annual caps for the continuing connected transactions under the agreement to RMB1,100 million, RMB1,100 million and RMB1,100 million for the years of 2023, 2024 and 2025, respectively. For details, please refer to the circular of the Company dated 5 October 2022.

For the year ended 31 December 2024, the amount of products and services provided by the Group to CRCC and/or its associates under the Machinery Equipment and Accessories Sales Framework Agreement was RMB295.25 million, not exceeding the annual cap of RMB1,100 million for the year of 2024 as approved by the general meeting.

DIRECTORS' REPORT

Financial Services Framework Agreement with CRCC Finance

On 30 November 2022, the Company renewed the financial services framework agreement (the “**Financial Services Framework Agreement**”) with CRCC Finance (a subsidiary of CRCC), pursuant to which, CRCC Finance agreed to provide deposit services to the Group for the term commencing from 1 January 2023 and ending on 31 December 2025. For details, please refer to the announcement of the Company dated 30 November 2022.

The main pricing policies of the Financial Services Framework Agreement were as follow:

Pursuant to the Financial Services Framework Agreement, CRCC Finance shall accept deposits from the Group at interest rates not lower, and thus no less favorable than the prevailing interest rates offered by major PRC commercial banks for deposits of similar nature.

The Group and CRCC Finance will enter into specific agreements to set out specific terms with respect to the financial services contemplated under the Financial Services Framework Agreement in accordance with the above principal terms thereunder.

As of 31 December 2024, CRCC Finance was a connected person of the Company by virtue of being a subsidiary of CRCC. Therefore, the transactions contemplated under the Financial Services Framework Agreement constituted continuing connected transactions of the Company under the Listing Rules.

The Company convened the 2nd meeting of the third session of the Board on 30 November 2022, on which it considered and approved the resolutions on the continuing connected transactions in relation to the Financial Services Framework Agreement, agreed on the renewal of the Financial Services Framework Agreement between the Company and CRCC Finance and the maximum daily balance of deposits (including accrued interest) under the agreement to be placed by the Group with CRCC Finance for the three years of 2023, 2024 and 2025 to be RMB30 million.

During the year ended 31 December 2024, the maximum daily balance of deposits (including accrued interest) placed by the Group with CRCC Finance under the Financial Services Framework Agreement was RMB28.91 million, not exceeding the annual cap of RMB30 million as approved by the Board.

DIRECTORS' REPORT

Products and Services Procurement Framework Agreement with CRCC

The Company and CRCC entered into the products and services procurement framework agreement dated 31 July 2020 (the “**Products and Services Procurement Framework Agreement**”). Pursuant to the agreement, the Company and/or its subsidiaries agreed to purchase products and services from CRCC and/or its associates for the term commencing from 1 January 2021 and ending on 31 December 2023, including:

- (I) materials and equipment required by the Company and/or its subsidiaries in their productions and sales;
- (II) construction services;
- (III) assets and equipment leasing services;
- (IV) railway line usage services;
- (V) maintenance services;
- (VI) other paid services.

For details, please refer to the announcement of the Company dated 31 July 2020.

The principal pricing policies of the Products and Services Procurement Framework Agreement were as follows:

- (i) Where there are market prices for the relevant products and services, the prices shall be determined with reference to the prevailing market prices, which are the prices charged by CRCC and/or its associates for providing the same type of products and services to an independent third party customer on normal commercial terms. In determining the prevailing market prices for the relevant products and services, the Company will make reference to the quotations offered by at least two independent third party suppliers for providing the same or similar products or services. The Company will also take into account the following factors to ensure that the prices offered by CRCC and/or its associates will be no less favourable than those available to the Company from the independent third party suppliers for purchasing the same type of products or services, including the costs of the relevant products or services, quality requirements, market conditions, and time arrangement;

DIRECTORS' REPORT

- (ii) Where there are no market prices for the relevant products and services that are aimed at meeting the Group's specific business requirements, the prices shall be determined according to the agreed prices between the parties. The agreed prices will be calculated based on the actual costs incurred in providing such products and services, which include the costs of raw materials, accessories, depreciation, salary, energy, required technology and equipment maintenance, plus reasonable profits. CRCC and/or its associates will charge a mark-up rate generally not higher than 15% for all transactions under the Products and Services Procurement Framework Agreement, which is the same mark-up rate charged to an independent third party customer. The Board is of the view that such mark-up rate is fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

As of 31 December 2024, CRCC was the controlling Shareholder of the Company which directly and indirectly held approximately 65% of the issued share capital of the Company, and thus CRCC and its associates constituted connected persons of the Company. Therefore, the transactions under the Products and Services Procurement Framework Agreement constituted continuing connected transactions of the Company under the Listing Rules.

The Company convened the twelfth meeting of the second session of the Board on 31 July 2020, on which it considered and approved the resolutions on the continuing connected transactions, agreed on the renewal of the Products and Services Procurement Framework Agreement between the Company and CRCC and the maximum annual transaction amounts of the Group under the Products and Services Procurement Framework Agreement for each of the three years of 2021, 2022 and 2023 to be RMB350 million. For details, please refer to the announcement of the Company dated 31 July 2020. The aforesaid resolutions were approved after consideration on the second extraordinary general meeting of 2020 held by the Company on 23 October 2020. For details, please refer to the circular of the Company dated 9 September 2020.

On 9 May 2023, the Company held the fourth meeting of the third session of the Board, at which the proposal in relation to the continuing connected transactions was considered and approved, approving the renewal of the Products and Services Procurement Framework Agreement between the Company and CRCC, and agreeing that the maximum annual transaction amounts under the Products and Services Procurement Framework Agreement of the Group for the three years of 2024, 2025 and 2026 under the agreement will be RMB160 million. Pursuant to the Agreement, the Company and/or its subsidiaries agreed to purchase products and services from CRCC and/or its associates for a term commencing from 1 January 2024 and ending on 31 December 2026. For details, please refer to the announcement of the Company dated 9 May 2023. On 30 June 2023, the Company held the 2022 annual general meeting, at which the aforesaid resolution was considered and approved. For details, please refer to the circular of the Company dated 9 June 2023.

For the year ended 31 December 2024, the amount paid by CRCC and/or its associates to the Company in respect of the products and services under the Products and Services Procurement Framework Agreement was RMB36.39 million, not exceeding the annual cap of RMB160 million for the year of 2024 as approved by the Board.

DIRECTORS' REPORT

ANNUAL REVIEW FOR CONTINUING CONNECTED TRANSACTIONS

Directors (including independent non-executive Directors) have reviewed the Company's continuing connected transactions and confirmed that the Company's continuing connected transactions complied with the agreed procedures and principles, and that all the above continuing connected transactions were entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms or better or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties;
- (3) in accordance with the terms of relevant agreements governing the transactions whose terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Board has engaged the auditor of the Company to conduct certain procedures in relation to the continuing connected transactions of the Company. The auditor has issued a letter in relation to the continuing connected transactions pursuant to Rule 14A.56 of the Listing Rules. In the letter, the auditor of the Company confirmed that, in respect of these continuing connected transactions of the Company during the reporting period:

- (1) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the disclosed continuing connected transactions have not been approved by the Board;
- (2) for continuing connected transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor of the Company to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (3) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (4) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the disclosed continuing connected transactions have exceeded the annual caps set by the Company.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Company during the reporting period are set out in Note X to the financial statements.

The Company has complied with the applicable requirements under the Listing Rules for those related party transactions which constituted non-exempt connected transactions/continuing connected transactions. Other related party transactions either did not constitute connected transactions/continuing connected transactions under the Listing Rules or constituted connected transactions/continuing connected transactions under the Listing Rules but were exempted from all disclosure and independent Shareholders' approval requirements under the Listing Rules.

NON-COMPETITION AGREEMENT

CRCC, China Railway Construction Group Co., Ltd. and the Company have entered into a non-competition agreement dated 23 November 2015 (the "**Non-Competition Agreement**"), pursuant to which, save as exceptional circumstance specified in the Non-Competition Agreement, CRCC and China Railway Construction Group Co., Ltd. have unconditionally and irrevocably undertaken to the Company (for the interests of the Company itself and other members of the Group) that, during the term of the Non-Competition Agreement, CRCC and China Railway Construction Group Co., Ltd. shall not, and shall procure that their respective associates (other than the Group) will not, directly or indirectly, whether on their own or jointly with another person or company, own, interest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes or may compete with any business of the Company (the "**Restricted Business**").

The Company's independent non-executive Directors reviewed the compliance with the Non-Competition Agreement as well as relevant information for the year ended 31 December 2024 provided by CRCC and China Railway Construction Group Co., Ltd.. In the opinions of the independent non-executive Directors, CRCC and China Railway Construction Group Co., Ltd. complied with the relevant provisions under the Non-Competition Agreement in 2024; and their respective operations were independent of the Group's business, without any mutual competition conduct with the Group. The Board was able to independently operate and manage the Company's business well on the premise of the overall interests of the Company and the Shareholders.

DIRECTORS' REPORT

EVENTS AFTER THE BALANCE SHEET DATE

As disclosed in note XII to the financial statements, on 27 March 2025, the Board proposed the payment of a final dividend of RMB0.028 per share (tax inclusive) for the year ended 31 December 2024. The proposed final dividend is subject to approval by the Shareholders of the Company at the forthcoming annual general meeting of the Company.

TAXATION

According to regulations of the Circular on Relevant Issues of Withholding Corporate Income Tax of Chinese Resident Enterprises which Distribute Dividends to Overseas H Share Non-Resident Enterprise Shareholders (Guo Shui Han No. [2008]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)) promulgated by the State Administration of Taxation, while distributing the dividends of 2008 and subsequent years to overseas H share non-resident enterprise shareholders, Chinese resident enterprises shall uniformly withhold corporate income tax at the rate of 10%. Accordingly, the Company shall withhold corporate income tax at the rate of 10% before distributing final dividend to non-resident enterprise shareholders listed on register of members of H Share of the Company. Shares registered in the name of non-individual registered shareholders (including HKSCC Nominees Limited, other nominees, trustees or other organizations and institutions) will be treated as being held by non-resident enterprise shareholders, and the dividends receivable shall therefore withhold corporate income tax.

Pursuant to the requirements of Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax (Cai Shui Zi No. [1994]020)(《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)), foreign individuals are exempted from individual income tax on dividends and bonus received from foreign-invested enterprises in the PRC. As the Company is a foreign-invested joint stock limited company, the individual shareholders who hold the H Shares of the Company and whose names appear in the register of members of the H Shares of the Company are not required to pay the individual income tax of the PRC.

DIRECTORS' REPORT

AUDITOR

The financial statements for the Year have been audited by Grant Thornton Zhitong Certified Public Accountants LLP.

At the 2023 annual general meeting held on 28 June 2024, the Proposal on Payment of Auditor Fees for 2023, Proposed Appointment of Auditor for the Year Ending 31 December 2024 and the Authorization to the Board to Fix the Remuneration Thereof was considered and approved, pursuant to which, the Company agreed to re-appoint BDO China SHU LUN PAN Certified Public Accountants LLP as the auditor of the Company for 2024 under China Accounting Standards for Business Enterprises to audit the Company's 2024 annual financial statements. At the 2024 second extraordinary general meeting of the Company held on 13 December 2024, the Proposal on the Proposed Change of Auditor of the Company for the Year 2024 and the Authorization to the Board to Fix the Remuneration Thereof was considered and approved, pursuant to which, the Company agreed to appoint Grant Thornton Zhitong Certified Public Accountants LLP as the auditor of the Company for 2024 under China Accounting Standards for Business Enterprises to audit the Company's 2024 annual financial statements.

By order of the Board

Tong Pujiang

Chairman

Kunming, Yunnan, the PRC

27 March 2025

SUPERVISORY COMMITTEE'S REPORT

During the reporting period, pursuant to the PRC Company Law, the Articles, the Listing Rules and the terms of reference of the Supervisory Committee, with a view to protecting the interests of the Company and its Shareholders, all members of the Supervisory Committee performed their duties prudently and effectively and fully exercised their supervisory functions. The Supervisory Committee has conducted supervision over the major decision-making, financial reports, connected transactions of the Company and the duties performed by the Directors and senior management through organizing and convening meetings of the Supervisory Committee and attending Shareholders' general meetings and Board meetings in order to safeguard the Company's and its Shareholders' interests.

I. DETAILS OF MEETINGS OF THE SUPERVISORY COMMITTEE

During the Year, the Company held two Supervisory Committee meetings. The notices, convening, holding and passing of resolutions of the meetings were in compliance with the requirements of the relevant laws and regulations and the Articles. Details of the relevant meetings are as follows:

Session of meetings	Date	Issue considered
The fourth meeting of the third session of the Supervisory Committee	26 March 2024	1. Proposal on the 2023 Annual Report and Results Announcement of the Company;
		2. Proposal on Work Report of the Supervisory Committee of the Company for 2023;
		3. Proposal on the Final Financial Report of the Company for 2023;
		4. Proposal on the Preliminary Annual Profit Distribution Plan of the Company for 2023;
		5. Proposal on Internal Risk Control Report for 2023.
The fifth meeting of the third session of the Supervisory Committee	23 August 2024	Proposal on the Company's 2024 Interim Results Announcement and Interim Report

SUPERVISORY COMMITTEE'S REPORT

During the Year, members of the Supervisory Committee attended the general meetings of the Company in person, at which they have proposed relevant suggestions and recommendations in a serious and responsible manner, supervised the procedures and contents of such meetings, effectively supervised the procedures for making operation decisions, legal compliance of the operations and the financial condition of the Company as well as performance of the Directors and management in daily operations of the Company. The reasonable suggestions and recommendations proposed by them were adopted by the Company to better protect the legal interests of the Company and its Shareholders.

II. OPINION OF THE SUPERVISORY COMMITTEE IN RESPECT OF THE WORK OF THE COMPANY

The year of 2024 marked a crucial year for the implementation of the “14th Five-Year Plan”, and also for the comprehensive promotion of the new development pattern. The Company adhered to the guiding role of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implemented the spirit of the 20th CPC Party Congress, insisted in innovation, reform empowerment, and quality and efficiency improvement, earnestly promoted reform and innovation-driven development, thus achieving breakthroughs in business performance. The Supervisory Committee is satisfied with the Company's accomplishments.

III. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY DURING THE REPORTING PERIOD

1. Compliance operation of the Company

In 2024, in accordance with relevant laws and regulations of the PRC and under the authority conferred by the Articles, the Supervisory Committee reviewed the procedures adopted in the convening, passing of resolutions, decision-making procedures, results of voting of the Company's general meetings and the Board meetings, implementation of resolutions of general meetings and Board meetings by the Board, the performance of duties of senior management and the management system of the Company.

The Supervisory Committee is of the view that the procedures for the decision making of the Company have complied with the relevant requirements of the Company Law and the Articles and the Board has operated under standardized and legal procedures with reasonable decisions and conscientiously executed the resolutions of the general meetings of the Company; the Directors and senior management of the Company diligently performed their responsibilities and were in compliance with the PRC laws and regulations, and no breaches of laws or regulations which were prejudicial to the interests of the Company and its Shareholders were discovered during the reporting period.

SUPERVISORY COMMITTEE'S REPORT

2. Financial reports gave a true and accurate view

The Supervisory Committee seriously and thoroughly reviewed the Group's financial system and financial position, and considered that the Group's 2024 financial report gave a true, accurate and fair view of the financial position and operation performance of the Group, and that the audit opinion issued and the evaluation of the relevant matters by Grant Thornton Zhitong Certified Public Accountants LLP were also true and fair.

3. Implementation of resolutions of the general meetings

During the Year, members of the Supervisory Committee attended eight Board meetings and three general meetings, had no objection to various reports and resolutions submitted by the Board for consideration at the general meetings, and are of the view that the Board of Directors seriously carried out the resolutions approved at the general meetings.

4. Connected transactions

The Supervisory Committee considers that the connected transactions between the Group and CRCC during the Year were entered into in the ordinary and usual course of our business. The transactions were on the principles of openness, fairness and justness and were entered into in the interests of the Group and the Shareholders as a whole. After its review, the Supervisory Committee considers that the Group's procedures of connected transactions in 2024 were in compliance with the relevant laws and regulations of the PRC and the Listing Rules and is not aware of any impairment to the interest of the Company and its Shareholders by means of connected transactions.

SUPERVISORY COMMITTEE'S REPORT

5. Implementation of Non-Competition Agreement

The Supervisory Committee is of the opinion that during the Year, CRCCG and CRCC complied with the terms of the Non-Competition Agreement, performed their undertakings, and had not entered into businesses in competition with the Group's businesses, save as disclosed in the paragraph headed "Non-Competition Agreement" in the Directors' Report.

In 2025, the Supervisory Committee will continue to fulfill its supervisory duties faithfully and diligently in strict compliance with the Company Law, the Articles and relevant provisions, and strive to fulfill its work with an aim to protect the interests of the Company and its Shareholders.

Ma Changhua

Chairman of the Supervisory Committee

Kunming, Yunnan, the PRC

27 March 2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We are pleased to present this Environmental, Social and Governance (ESG) Report, which demonstrates the updates on sustainable development of the Company and its subsidiaries from 1 January 2024 to 31 December 2024 (the “**reporting period**”). In order to determine the ESG reporting scopes, the key management personnel has discussed internally and identified the environmental, social and operating items, and assessed their importance to the shareholders and the Company. This section has been prepared based on the ESG Reporting Guide issued by the Hong Kong Stock Exchange, and has complied with the “comply or explain” provisions as set out in Part C of the ESG Reporting Guide, to report on employment and labor practice, operating practice, community and environment and so on.

This report covers the Company and its controlling subsidiaries, and does not cover its investee companies and overseas companies.

REPORTING PRINCIPLE

Materiality: The content disclosed in this ESG report is sufficient to represent material issues related to the environmental and social factors of the Company and assist our investors or shareholders in understanding the performance of the Company.

Quantitative: Key performance indicators for environmental aspects are explained and evaluated in a measurable method which can showcase the effectiveness of ESG policies and management systems.

Balance: The Company ensures that the information is presented in an unbiased manner which can reflect a comprehensive picture of the Company’s sustainability performance and avoid inappropriate influence on report readers.

Consistency: Consistent methodologies were used to conduct meaningful comparisons of relevant ESG data.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART I CORPORATE SOCIAL RESPONSIBILITY GOVERNANCE

The Board of Directors takes the responsibility of the environmental, social and governance strategies and reporting matters of the Company, and is responsible for the sustainable development matters relating to or affecting the Company's businesses or operations, Shareholders and other persons related to main businesses and supervises the position and practice of the Company. The corporate social responsibility working group of the Company is responsible for implementing the environmental, social and governance strategies, policies and measures determined by the Board of Directors and monitoring their performance and providing guidance and reporting to the Board of Directors on relevant issues.

The Company has set up a comprehensive management system, including four levels of management system, namely ISO9001, ISO22163, CRCC integrated quality management system, GB/T24001-2016/ISO14001: 2015 environmental management system, GB/T45001-2020/ISO45001:2018 occupational health and safety management system, and GB/T 23331-2020/ISO50001:2018 energy management system. Through the comprehensive management system and providing trainings to employees, the various internal business units within the Company are guided to integrate corporate social responsibility into their operations and activities.

The Company is committed to complying with laws and regulations relating to environmental and social responsibility which have a material impact on the Company. We will continuously devote more resources to strengthen our corporate social responsibility governance, strive to promote the sustainable development of the Company, and jointly create and share sustainable values with stakeholders in the economic, social and environmental fields.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART II EMPLOYMENT AND LABOR PRACTICE

I. Our Staff

1. Overview of staff

As at 31 December 2024, the Company had a total of 1,912 employees, representing a decrease of 1.75% as compared to the corresponding period of 2023.

Indicator	Number of employees in 2024	Number of employees in 2023	Turnover rate
By gender			
Male	1,591	1,610	1.55%
Female	321	336	1.49%
By employment type			
Middle and senior management	99	96	—
Production and relevant staff	886	854	—
Technical staff	927	996	—
By age group			
<30	217	263	3.04%
30 to 50	1,426	1,429	1.54%
>50	233	254	—
By education background			
Doctor	2	2	—
Master	236	228	—
Bachelor	831	846	—
Junior college and below	843	870	—
By geographic region			
China	1,912	1,946	1.54%
Fulltime or part-time			
Fulltime	1,912	1,946	
Part-time	0	0	

Note: Employee turnover rate = number of resigned employees/number of employees as at the beginning of 2024 of a given category.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. *Staff recruitment*

The Company maintains a sound staff recruitment system and complies with the requirements under the Labor Law of the PRC, the Labor Contract Law of the PRC, the Law on the Protection of Rights and Interests of Women of the PRC and other relevant laws and regulations strictly. Discrimination against language, wealth, social origin, social status, age, gender, race, disability, pregnancy, religion, political ideology, members of the community or marital status is forbidden. The Company neither employs child labor nor uses forced labor. With its main business as guidelines, the Company continuously strengthens the optimization and management of human resources, creates a scientific and reasonable team of highly qualified, highly educated and young talents and absorbs talent based on principles of openness, transparency, fairness and merit.

During the reporting period, the Company recruited talents through following ways:

- (i) Internal recruitment: select suitable employees from the human resources reserve of the Company through internal promotion, job designation, job rotation, orientation training, etc., to engage in vacant or urgently needed jobs.
- (ii) External recruitment: absorb high-caliber management talent, and professional and technical talent required for the business through recruitment from campus and society, live-streaming recruitment service, recruitment by headhunters, introduction of high-caliber talents, etc.

3. *Remuneration and benefits*

The Company follows the principle of “distribution according to performance and equal pay for equal job”, establishes and improves the performance appraisal system covering mid-level and above management and ordinary employees, and provides competitive remuneration in the industry according to job requirements and the employees’ achievements and contributions. At the same time, the Company takes the result of appraisal and evaluation as an important basis for employees’ post adjustment, dismissal, etc., so as to continue to optimize the team of human resources.

The Company guarantees that all employees are entitled to holidays and weekends as required by the state and paid leave such as annual leave, family leave, leave for marriage or funeral and family planning leave, and other leave agreed in labor contracts and collective contracts. The Company organizes health examination for all employees every year, with an examination coverage rate of 100%. According to the requirements of local government, the Company also provides a well-established benefit package for its employees every year, including pension insurance, work-injury insurance, medical insurance, unemployment insurance, housing provident fund and other social insurance and legal welfare, with a coverage rate of 100% of each insurance. The Company also provides staff with various voluntary corporate welfare, including corporate annuities, supplemental medical insurance, subsidized canteen, labor protective equipment, and transportation and communication subsidies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We also seek to implement higher standards of health, safety and well-being within the employees' businesses in all our business practices and to provide fair and equal opportunities in recruitment, training, promotion, designation, working leave, remuneration, benefits, termination of contracts and other issues. Such rights are not affected by factors such as age, gender, physical health or mental status, marriage status, family positions, race, skin color, nationality, religion, political connection and sexual orientation.

II. Employee Occupational Health and Safety

1. Occupational health and safety management system

In light of the business characteristics of the Company, the occupational health and safety of employees is considered to be an important social responsibility. The Company passed the GB/T28001-2011 certification of Occupational Health and Safety Management System in 2013 and has been improving and perfecting the system. The Company updated the system in accordance with the new standard of ISO45001-2018 Occupational Health and Safety Management System and passed the audit of external certification authority in 2019. The Company obtained the certificate of Occupational Health and Safety Management System GB/T45001-2020/ISO145001:2018 in 2020, passed the recertification audit in 2022 and maintained the certificate in 2024. The Company has developed a number of occupational health and safety management regulations which passed domestic certification and complied with international standards, implemented manuals and internal policies on safety control processes and standards, and required all employees to comply with relevant regulations.



Occupational Health and Safety Management System Certificate for GB/T45001-2020/ISO45001:2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. *Safety production management*

The Company strictly complies with the policies, laws, administrative regulations, local regulations, rules and standards relating to safety production and occupational health which safeguard safety production and employee health, such as the Opinions of the Central Committee of CPC and the State Council on Promoting the Reform and Development in the Field of Safety Production, the Circular of the State Council on Further Strengthening Enterprise Safety Production, the Production Safety Law of the PRC and the Law on Prevention and Control of Occupational Disease of the PRC.

The Company has established a production safety (including occupational health) responsibility system, specifying the safety production and occupational health responsibility of all levels and all posts. The leading and management groups of safety production (including occupational health) were set up with full-time safety production and occupational health management personnel. The Company has also developed 17 program documents, 42 safety management regulations, 6 comprehensive special emergency plans, 22 on-site disposal plans, 26 work instructions and 150 work safety regulations such as the Production Safety Supervision and Management Measures, the Production Safety Accident Management Regulations, the Management Regulations on Safety Production Education and Training, Regulations on the Administration of Labor Protective Equipment, the Safety Risk Grading and Control Regulations, the Procedures for Monitoring and Controlling the Performance of Environmental and Occupational Health and Safety, the Comprehensive Emergency Plan for Production Safety Accidents, the On-site Disposal Plan for Machining Branch Factory, the Manufacturing Main Factory Welding and Cutting Operation Guide and the Metal Cutting Safety Operation Regulations.

The Company guarantees to devote resources to safety production (including occupational health) in strict compliance with applicable laws and regulations and the Company's systems and rules, and provides employees with labor protective equipment that meets national standards and the actual requirements of their posts in sufficient quantities on time. Our employees were also urged to wear the labor protective equipment correctly, to prevent safety accidents and occupational disease hazards from happening effectively.

In 2024, safety production expense of the Company amounted to RMB9,021,500 (including subsidiaries), including occupational health expense of RMB3,747,800, of which RMB130,800 was incurred for employee physical examination; occupational hazards inspection and evaluation expense of RMB277,000; and labor protection expenses of RMB3,340,000, aiming to provide necessary protective equipment and medical security in all its business or business which may cause harm to employees. The Company has also established a safety education and training system, and conducted regular safety reviews, making sure that all employees are aware of hazards and conducts prevention and treatment. We also supported the development of occupational health and safety in the industry.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company achieved the following key safety indicators in 2024:

- (1) the Company recorded zero case of work-related casualties in 2024, zero case of work-related casualties in 2023, and one case of work-related casualties in 2022, representing 0.05% of the number of employees at the end of 2022;
- (2) there was no hazardous event such as fire disaster, explosion and special equipment accident;
- (3) all new employees received three-level safety education, all special operation staff held qualification certificates and all potential safety hazards were rectified;
- (4) no applicable laws or regulations relating to safe work environment and the avoidance of occupational hazards were violated.

During the reporting period, the Company lost 437 working days due to work-related injuries.

3. Occupational health and safety assessment

To ensure the implementation of occupational health and safety measures, the Company adopts the following inspections and assessments in four aspects:

- (1) through certifying the occupational health and safety management system, the Company organizes regular internal review and audit each year, and invites external certification body to review and audit its occupational health and safety management. Issues identified are rectified in a timely manner to ensure that the system runs effectively and the occupational health and safety management and its performance meet standards;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- (2) the Company conducts safety production inspection by ways of comprehensive inspection, professional inspection and self-inspection at different levels and grades to eliminate potential safety hazards in a timely manner, thus effectively preventing accidents from happening and avoiding personal injury and health damage;
- (3) the Company monitors occupational health in workplace regularly, and conducts regular medical examinations on employees exposed to occupational hazards before, during and after work. Issues identified are rectified in a timely manner, thus effectively preventing the occurrence of occupational diseases;
- (4) the Company assesses safety management on a monthly and annual basis, and awards and punishes each unit and its leader according to the performance of safety production and occupational disease prevention, with a view to promoting the careful fulfillment of occupational health and safety responsibilities by the management at all levels and the effective implementation of occupational health and safety work and its continuous improvement.

Dedicated to the “people-oriented” principle, the Company leveraged onsite occupational hazards inspection and evaluation to effectively control the harm of noise, dust, hazardous gases and toxic substances to employees. In 2024, the Company entrusted Yunnan Chemical Industry Research Institute Co., Ltd. to conduct three tests on the Company’s highly toxic substances which constitute occupational hazards, including 1,285 test items of seven categories. Occupational hazards are tested once on an annual basis regarding 1,140 test items of 20 categories, and the qualification rate of all the tests exceeded 90%. Besides, the Company entrusted the Second Affiliated Hospital of Yunnan College of Traditional Chinese Medicine to conduct physical examination for employees of the Company exposed to occupational hazards, including 465 during employment, 40 before employment and 22 upon termination of employment, with a health examination coverage of 100%. Employees are provided with physical examination results, and urged to rectify issues found in the reexamination. The Company did not record any case of suspected occupational disease and occupational disease in 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. Care for Staff

1. *Development and training*

The Company believes that the knowledge and skills of our employees are crucial to our operation and business growth and we are committed to improving our employees' current performance, selecting and cultivating leading talent, continuously enhancing our strengths of research and development, operation and skilled workforce to provide human resources support for the business needs and future development of the Company.

Employee training is the Company's primary means for human resource development. In this regard, the Company collects the training requirements for its subordinate units and its employees every year and proposes and implements training plans accordingly. The categories of training plans include qualification training and adaptive training while the programs include enterprise management, marketing, overseas services, professional technique, skill enhancement, safety knowledge, property management, internal trainer development, curriculum development, mentoring, formulation of standards, key job skills and other aspects. The Company was recognized as the "Training Base for the Skill Foundation Program of Ministry of Human Resources and Social Development", "The Third Batch of Industry-Education Integration Enterprises in Yunnan Province", "Training Base for Skillful Talents in Kunming" and "Practical Examination Center for Operator Qualifying Examination for the Self-propelled Railway Maintenance Truck".

For the year ended 31 December 2024, the Company completed 131 training programs, conducted 197 planned and unplanned training sessions with 23,895 attendances, representing a year-on-year increase of 33.05%, achieved a training satisfaction rate of 98.91%, and invested RMB858,807.51 in employee training.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Information on trainings provided to employees

	Total employees by category	Employees trained	Employees trained as a percentage of total employees	Average training hours per employee
By gender				
Male	1,995	1,994	99.95%	63.79
Female	397	396	99.75%	63.79
By employee type				
Senior management	14	14	100%	51.03
Middle-level management	87	87	100%	111.11
General employee	2,291	2,289	99.91%	64.86

The Company also encouraged employees to enroll in training courses outside of the Company and its parent company, and to enrich themselves and develop their careers through diversified skill training or skill identification.

During the reporting period, the employees training activities organized by the Company included but not limited to:

- (i) Training for dissemination of company-level institutional documents
- (ii) Orientation and three-level safety education and training for new employees
- (iii) Management training
- (iv) Marketing manager training
- (v) Research and development staff training
- (vi) Skilled personnel training
- (vii) Staff skill certification training
- (viii) Online learning platform development

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Some of the key projects are as follows:

(1) *Staff skill certification training*

Based on the needs of career development plans of our staff, targeted occupational skills trainings were carried out, covering certification key points in various fields such as internal auditors, special operations, special equipment, heavy machinery operators and safety officers to ensure that the qualifications of staff of the Company meet relevant requirements. Various skill trainings included welding, fitters, electricians, self-rotating equipment operators, quality inspectors, turners, grinders, millers, non-destructive testing personnel, and other occupations, meeting the diverse learning and development needs and skill improvement requirements of skilled employees. In addition, we focused on the key aspects of inspection of safety, environment, quality, 22163 and other systems, and conducted a case-by-case review and optimisation to ensure that the trainings were in place with complete information.

(2) *Management training*

We promoted the establishment of a management training system and launched online resources for four categories of courses: Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, Party education, job performance capabilities, and knowledge training. For offline training, we focused on political qualities and practical skills, conducted “Enhancing Execution, Building High-Performance Teams” management training programs to empower all backbone management staff. We aimed to enhance the political consciousness and firm ideals and beliefs of the Company’s Party members at the ideological level, providing solid support for better work advancement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(3) *Marketing manager training*

We aimed to cultivate a professional marketing team that was “legally compliant, product knowledgeable, skilled in marketing, and specialized”. Our operations department organized monthly learning sessions on the spirit of CRCC meetings, legal compliance to prevent operating risks, regulations for disciplinary actions of state-owned enterprise management personnel, and the “Ten Prohibitions” for clean practice, enhancing the legal and risk management awareness of our operating personnel. We completed 41 product knowledge training sessions of 14 series covering design principles, high, medium, and low-end product selection, construction organization models, performance, etc. We also developed and completed the recording of video courses for seven major typical tasks for marketing managers such as “Market Research” and “Analysis of Customer Demands” and 40 accompanying tools. We organized annual training for all marketing personnel, covering 10 professional courses including experience exchange in marketing efforts and marketing plans and strategies for new level 3 and 4 maintenance to drive personnel growth and enhancement.

(4) *Research and development staff training*

We focused on the central task of cultivating talent in science and technology, and promoted the training of “top-tier scientific talent, leading scientific talent, backbone research talent, and young scientific talent” in a tiered and categorized manner. We completed the design of “learning path maps for key R&D positions” for 13 roles in the R&D center, as well as 44 courses and 390 tools. We invited senior experts to conduct 9 sessions of “Expert Lectures” and organized 49 training sessions on internal safety, production, design, and professional technical skills, and completed product knowledge training for more than 40 topics, including rail maintenance, comprehensive testing, flaw detection, traction transportation, catenary engineering construction, process integration packages, tamping, screening, and track bed cleaning, with a total of 3,216 attendees.

(5) *Online learning platform development*

We built the Company’s own online learning platform and independently created 115 learning projects across 11 business sectors, including Party building, operations, skills, products, and general management. This enabled refined management and digital development of training operations, which broke through time and space limitations, thereby reducing training costs while enhancing learning convenience and training efficiency.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Diverse after-hour events

During the reporting period, the Company organized many after-hour events, some of which are summarized as follows:

- (i) On the eve of the Spring Festival, we held the 2024 Labor Model Recognition Conference and New Year Gala. At the gala, 10 choirs performed, each interpreting the heroic aspirations and struggles of the Chinese people during the revolutionary and construction periods of New China's history.



- (ii) In March, various grassroots women's committees successively conducted activities such as training on protecting female employees' rights, floral arrangement salons, book-sharing sessions, spring outings to enjoy flowers, traditional Chinese medicine wellness programs, and movie screenings, celebrating the International Women's Day with diverse activities.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- (iii) In April, the trade union and youth league committee, in collaboration with the suburban hiking club, organized the “70 Years of Dedication, Crafting the Future with Ingenuity” event and the 7th “Low-Carbon Living, Step Toward Health” employee walking competition, with over 500 employees participating.

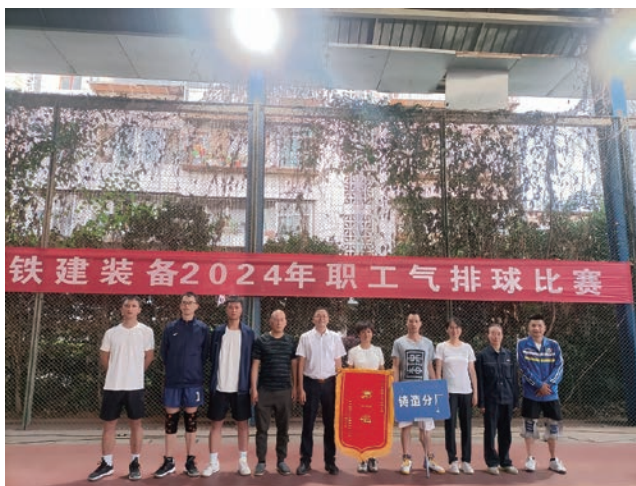


- (iv) In June, we held the 4th Balloon Volleyball Competition, with 12 mixed-gender teams from various grassroots units, which was attended by 96 employees.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- (v) In August, we organized the 5th Employee Badminton Tournament, with more than 100 participants.



- (vi) In October, we successfully held the 2024 basketball tournament. Twelve teams from various units of the Company, totaling nearly 300 participants, took part in the competition.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- (vii) From November to December, grassroots trade unions actively organized the “Unlimited Fun Sports, Forge Ahead for 100 Days” employee team-building fun sports event.



- (viii) From January to December, the Company continuously organized the online campaign “Gear Up for Health”, with a total of over 2,000 employees registering with the mini program to participate in the online step monitoring. The Company also launched online knowledge quiz, involving month of safe working, month of quality, informationization management, corporate culture, lean production and other comprehensive knowledge that employees should know and understand. Monthly rewards were granted to those who have reached the target in terms of the number of steps they have taken and those who have passed the knowledge competition.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IV. Labor Standards

The Company considers compliance as our minimum responsibility. In 2024, the Company collected and conducted risk assessment on a total of 40 laws and regulations applicable to human resource systems, including national laws, administrative regulations, national and industrial standards and normative requirements. The Company also conducted compliance evaluation, and translated into various rules and regulations and well-defined working procedures in a specific form. During the reporting period, the Company has complied with the relevant laws and regulations in relation to employment and labor practices that have a significant impact on the Company.

The Company adopts a zero-tolerance policy on the employment of child labor and forced labor, and the Company's strict internal systems such as the "Regulations on Employment Management" demonstrate our prohibition of using child labor and forced labor in strict compliance with the international standards and relevant domestic regulations. Child labor or forced labor is forbidden throughout the operation of the Company, including any supplier or subcontractor.

There are specific requirements for the ages of the candidates in the "Administration Measures on Employee Recruitment" of the Company, and the identity information of the candidates is reviewed and the recruitment of child labor is strictly forbidden. The Company creates a safe and healthy working environment for its employees, provides labor protection, pays reasonable remuneration and provides various benefits, and prohibits forced labor. The union organization of the Company plays an active role in safeguarding the interests of employees.

The "Administration Measures on the Labor Contract for Employees" of the Company specifies that the Company establishes and terminates contractual labor relationships with our employees in accordance with national laws and regulations. The Company guarantees that all employees are entitled to the holidays and festivals and weekends as required by the state and paid leave such as annual leave, family leave, leave for marriage or funeral and family planning leave, and other leave agreed in labor contracts and collective contracts. The Company adopts a working system of eight hours a day and 40 hours a week. However, due to production or other special circumstances, we ensure that, without violating the national regulations, the Company insists on arranging our employees to extend their working hours on a voluntary basis according to the overtime procedure without prejudice to their health.

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PART III OPERATION PRACTICE

I. Supply Chain Management

1. *Supplier management*

The Company strictly executes the special action work plan for enhancing supply chain management. By improving the supplier management system, integrating the advantageous resources of suppliers and implementing tiered and categorized management, as well as promoting digital supply chain and refined management, we further establish and improve the supply chain management system. We persist with a value-creation orientation, with cost, quality, technology, and service control as the core, and establish supporting quantifiable assessment and evaluation standards while organizing regular performance evaluations, thereby enabling full lifecycle management of suppliers across all stages, including sourcing inquiries, development, certification, risk management, and performance assessment.

2. *Identification of environmental and social risks of suppliers*

During the supplier sourcing and development process, the Company strictly fulfills the review procedures for suppliers' certifications in quality, environmental, occupational health and safety systems. Certification in these three systems serves as the most basic entry threshold and a prerequisite for selecting potential suppliers on a merit basis. If a special industry is involved, suppliers are also required to possess qualification certificates issued by relevant national authorities (such as national industrial product production license, hazardous chemicals production license, business license, special equipment manufacturing license and road transportation license).

In the process of supplier admission and selection, the Company will inspect and verify their credit rating, covering business nature, business scope, information of Shareholders and capital contributions, information of directors, supervisors and executives, registration information of industrial and commercial changes, registration information of equity pledge, publicity information in annual reports throughout the years, major litigation or dispute, preservation measures taken by the court, administrative punishment and major non-compliance or default, and make judgements over their contract performance risk, so as to obtain the latest updates of partners and conduct dynamic assessment and management over the credit standing and risks of partners.

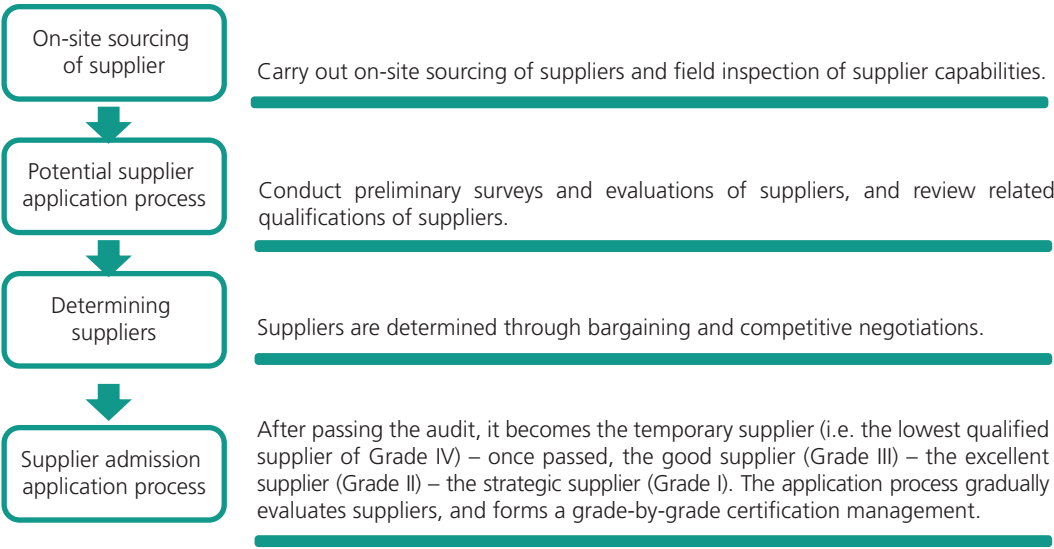
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3. Selection of environmentally friendly products and services of suppliers

The Company consistently integrates green principles and sustainable development throughout all stages of the supplier process, achieving an organic unity of economic benefits and green benefits.

During the contract-signing process with suppliers, both parties simultaneously sign the “Safety and Environmental Protection Agreement” to ensure the provision of environmentally friendly products and services. In the supplier performance evaluation process, we conduct a comprehensive assessment based on the six management elements of “personnel, machine, material, method, environment and testing” to evaluate suppliers from aspects such as qualifications, technology, production capacity, product quality, on-site management and services. We actively promote green procurement and production and strive to ensure that suppliers align with the Company in terms of corporate social responsibility, thereby collectively enhancing industry performance.

4. Supplier selection and engagement



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The Company implements the above selection process for all suppliers and regularly organizes supplier assessment. By optimizing the supplier structure, integrating advantageous resources, and cultivating strategic partners, we continuously enhance the stability and reliability of the Company's material supply chain in terms of supply assurance, quality, cost and service to support our high-quality development. The breakdown of existing suppliers of the Company is as follows:

The list of qualified suppliers maintained by the Company is constantly updated. Currently, there are a total of 1,722 suppliers in the supplier database, including 1,123 qualified suppliers (427 in the product category, 696 in the non-product category) and 599 potential suppliers (89 in the product category, 510 in the non-product category).

5. Breakdown of qualified suppliers

Number of suppliers by geographic location:

Eastern China:	183 (including Shandong, Jiangsu, Anhui, Zhejiang, Fujian, Shanghai);
Southern China:	51 (including Guangdong, Guangxi, Hainan);
Central China:	107 (including Jiangxi, Hunan, Hubei, Henan);
Northern China:	261 (including Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia);
Northwest China:	36 (including Ningxia, Xinjiang, Qinghai, Shaanxi, Gansu);
Southwest China:	447 (including Sichuan, Yunnan, Guizhou, Tibet, Chongqing);
Northeast China:	21 (including Liaoning, Jilin, Heilongjiang);
Taiwan, Hong Kong, Macau, Europe and America:	17 (including Taiwan region, Hong Kong, Macau, Europe and America).

The supply chain of the Company consists of over 1,000 suppliers covering more than 30 provinces in China, Hong Kong, Macau and Taiwan regions, European countries and the United States. The suppliers of the Company provide us with products and services including raw materials, tools, factory equipment, logistics and transportation and packaging.

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Railway Product Certificates



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IRIS Certificates



2. Quality assurance and service system

The Company has been implementing the ISO9001, ISO22163 and CRCC integrated quality management system. Innovation was made on quality management mode based on the actual conditions of the Company, and was promoted and implemented. The Company has established a quality management system integrating group management and control and developed over 100 documents relating to management and control system, such as management and control manual, process management standards and relevant quality management system. The Company also improved and perfected the quality management department, established a management mechanism for quality targets, organized the signing of quality assurance and responsibility letters, and assigned the targets level by level and then conducted performance appraisal on each level. The Company carried out standardized management of the processes involving the Company's products which include marketing, material and component purchase, production organization and control, quality testing and acceptance, complete machine acceptance, product delivery and service in strict compliance with the requirements of the system, and conducted quality control during the whole processes, making sure that the products manufactured by the Company can meet quality requirements and the requirements of users. The Company has established a quality safety risk management system based on the standard of Guidelines on Comprehensive Risk Management of Enterprises Controlled by Central Government and developed an operation and management mechanism for quality safety risks covering the processes such as product design, supply chain management, manufacturing, after-sales services, quality monitoring and assessment. The control of quality risk point in respect of key working procedures, special processes and the "eight prevention" of products (e.g. the prevention of crack, the prevention of separation, the prevention of burning/hot bearing, the prevention of breakage, the prevention of explosion, the prevention of fire, the prevention of split and the prevention of runaway train) were strengthened. Guidance on operation process was followed strictly, and innovative mode for spot check and control was required for critical quality monitoring. The Company improved exception reporting of process quality and the emergency management mechanism of railway traffic accidents and comprehensively promoted quality safety risk management and control, ensuring the quality safety of complete machines and the safety of railway transportation, as well as the consistent fulfilment of its mission of "providing solid support to railway".

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In order to ensure the control over unqualified products, the Company has formulated the review procedure for unqualified products to control the entire process of identification, review, recall and disposal of unqualified products, so as to prevent unexpected use and delivery, and ensure the quality inspection of production raw and auxiliary materials, purchased materials (including purchased and outsourced parts), self-made parts, various finished products, semi-finished products and final products, as well as control over the unqualified products identified by users after delivery.

During the reporting period, the Company did not identify any cases of sold or shipped products subject to recall for safety and health reasons.

3. *Management approach*

In order to improve corporate operation and management capability and promote healthy and sustainable corporate development, the Company highly values management innovation and development. Based on the actual conditions, the Company has established and implemented a quality spot check and management mode, comprehensively implemented the process quality control of key points and quality risk control, which effectively improved the production and operation efficiency of the Company. Standardized and efficient operation was achieved by establishing and implementing multiple professional systems and a management and control system featuring integrated group management and control. Under the establishment and implementation of the refined management model of “Four Dimensions and Three Highs”, the Company manufactured quality large railway track maintenance machinery from four dimensions, e.g. “design, purchase, production, service” and built a comprehensive product quality management and control system featuring “high standards, high performance and high quality”. Supported by key technologies from technology platforms such as postdoctoral workstation for large railway track maintenance machinery, high-tech industrialization bases for large railway track maintenance machinery applied in national railways, international technology cooperation demonstration bases and the National Railway Large Railway Track Maintenance Machinery Engineering and Technology Research Center, and making full use of the skill innovation and the leading of craftsmen of cross-functional organizations including Kunming Craftsmen Workroom and Yunling Chief Technician Workroom, the Company manufactured quality large railway track maintenance machinery for the international market, with a view to strengthening the competitiveness of railway engineering machinery manufacturing and service in the international market, and improving the management level of the Company in a comprehensive way.

During the reporting period, the Company has complied with relevant laws and regulations on product liability which have a significant impact on the Company, and there have been no violations of health and safety, advertising, labeling, and privacy issues related to products and services.

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4. *Service system*

Under the service concept of “leaving no regret to customers”, the Company strengthens user training and after-sales service, provides customers with product use training and perfect after-sales services, and enhances customer satisfaction. The Company established a user training management system, and set up a training center for large railway track maintenance machinery. The Company organizes user training according to product services and customer needs, and provides complete machine product operation, use, maintenance management and other business training for all railway system users, ensuring the operation safety and construction effect of large railway track maintenance machinery and equipment. Adhering to the principle of “responding quickly and taking immediate action”, the Company formed professional teams for after-sales services and arranged full-time service personnel, established an efficient and high-quality service mechanism, united personnel of research and development, production and process technicians to jointly provide customers with a full range of services such as completion acceptance, services within and out of warranty period, technical guidance, etc. The Company established the project control mechanism with products as the main line of business and implemented full life cycle management of the products, fulfilling the service needs of the customers. The Company has a sound customer complaint handling mechanism in place, to act as a smooth user information communication and feedback channel and to receive user information in a timely manner with active response and handling. The Company conducts unscheduled user visits and exchanges and regular customer satisfaction surveys, investigating on the Company’s overall service, product supply, training services and after-sales services, product performance, product quality, supply of important parts and other services, in order to capture the customer needs in time, collect user opinions or suggestions extensively and handle the issues. The Company keeps improving the product quality and services, maintains a good quality reputation of the Company and enhances customer satisfaction.

In order to improve the customer complaint acceptance and handling mechanism, the Company has established a customer complaint channel covering complaint lodging, acceptance, classification, handling, follow-up and settlement, to clear up the communication and feedback channels for users, and accept user information in a timely manner and provide positive response and handling. The Company organizes occasional user visits and exchanges and regular customer satisfaction surveys to investigate the Company’s overall service, product supply, training service and after-sales service, product performance, product quality, supply of crucial components and other services, timely cater for customer demand, extensively collect and handle user opinions or suggestions, continuously improve the Company’s product quality and service, maintain its sound quality reputation and enhance customer satisfaction.

During the reporting period, the Company did not record any customer complaint.

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The Company has established the control procedure over customer property (including customer property, intellectual property rights, personal data, etc.) to strictly control the whole process covering identification, verification, use and disposal of customer property, so as to ensure the effective control of the customer property used by the Company.

5. *Protection and safeguarding of intellectual property rights*

The Company attaches great importance to the protection and maintenance of intellectual property rights. It has formulated the Measures for the Administration of Intellectual Property Rights, set up a flexible group for intellectual property rights, and adopted the following measures: Firstly, it conducts thorough collection of scientific and technological information and cutting-edge technologies, regularly monitors the patent dynamics of competitors, develops analysis reports, conducts risk analysis on risky patents and R&D personnel, and puts forward plans for prevention. Secondly, it strengthens special assignment in early warning, layout and protection of intellectual property rights. Thirdly, it conducts search and analysis of intellectual property rights throughout the whole process of R&D projects (including project initiation, R&D and after-sales stages), gains insight into existing technologies in advance, evades infringement in product design, and prepares dispute response measures in advance. Fourthly, it carries out patent exploration and layout in the R&D stage of key products, and applies for patent protection for innovative technologies in time. Fifthly, it holds special trainings on intellectual property rights in a systemic and hierarchical manner each year to improve the intellectual property protection for independently developed products. Sixthly, it investigates into the laws and policies of intellectual property rights in the overseas market where products are sold, searches for the intellectual property rights of related products, and conducts early warning analysis to establish the intellectual property rights layout and protection in the overseas market. Seventhly, relevant departments launch cooperation in terms of production, office equipment and software to timely monitor and prevent infringement.

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PART IV ANTI-CORRUPTION

I. Fulfilling Supervision Responsibilities

In 2024, the Commission for Discipline Inspection of the Company closely focused on the key and challenging aspects of production and operations, and took the prevention and education of integrity risks as a starting point to continuously improve the system for promoting integrity and discipline and combating corruption, and persistently advanced the development of the Company's efforts in Party conduct and integrity building and anti-corruption in the new era, thereby providing a strong disciplinary guarantee for the Company's high-quality development.

First, efforts were made to conduct overall planning from the perspective of mechanisms and systems. The Company organized participation in the 2024 Party conduct and integrity building and anti-corruption work conference of CRCC and held its own work conference in this regard, formulated and issued the 2024 task lists for Party conduct and integrity building, inspections and political supervision to arrange and deploy key tasks for 2024.

Second, the construction of supervisory responsibility system of the Commission for Discipline Inspection was continuously improved. Work diaries on the basis of assuming two duties at the single post were prepared and distributed to the leadership teams of the Company and its directly managed units. Party organizations directly under the Party Committee of the Company were subjected to annual performance assessment with respect to Party building. Middle-level leaders were required to submit reports on their performance of duties and integrity, and they were also required to report their income and wedding ceremonies and funerals, as well as to sign the undertaking of integrity. Moreover, suppliers were required to sign integrity guarantee contract with the Company. By doing so, we strictly implemented the supervisory responsibilities of the Commission for Discipline Inspection.

Third, a combination of "prevention" and "rectification" was employed to control violations of discipline and regulations. The 2021 edition of the Manual for Prevention of Integrity Risks was revised and released. In collaboration with the Party committee of the R&D system, a symposium on clean practices was held with deans, directors and project leaders to discuss on preventing integrity risks related to abnormal "single-source" selections and advancing Party conduct and integrity building within the Company and its R&D system.

Fourth, education and prevention measures were used to solidify the foundation of integrity. In conjunction with themed education activities on Party discipline, exhibitions were held featuring typical cases of violations of the "Six Disciplines" and outstanding employee works of calligraphy and painting on integrity. Two deputy procurators from the Kunming Railway Transport Procuratorate were invited to give special lectures to 260 Party members and leaders. Additionally, 92 leaders and key personnel visited the Yunnan Province Anti-Corruption Warning Education Base for an "immersive" on-site warning activity, making the "Study Regulations, Uphold Party Discipline, Rectify Conduct, Promote Development" anti-corruption education month campaign deeply impactful and widely resonant.

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Fifth, daily supervision and reminders became routine and precise. Notifications and integrity messages were sent during holidays such as Spring Festival, Mid-Autumn Festival, and National Day, with 12 issues of typical cases violating the Central Eight Provisions compiled, educating over 3,200 people. Five inspections were conducted during holidays on official vehicle use and canteen receptions. Close attention was paid to 245 review processes, including the selection of tender negotiation review panel members, project approvals for infrastructure and equipment maintenance, disposal of idle materials, and outstanding youth awards. Reviews for outstanding performance awards and disciplinary and regulatory violation were issued for 424 individuals in various evaluations, and the 2023 employee evaluation for disciplinary and regulatory violation was rechecked, with 37 interviews conducted in collaboration with the cadre department for two deputy mid-level cadres upon completion of their probationary periods.

Sixth, the “big supervision” framework was promoted to penetrate the grassroots level. The Implementation Measures for the Big Supervision Work of the Party Committee of CRCCE were formulated, using 14 key political supervision tasks as a foundation to ensure the implementation of higher-level decisions. We assisted the secretary to the Commission for Discipline Inspection in supervising 62 matters related to the power exercise of the leaders at the same level and leadership teams, achieving a “good” rating from CRCC for two consecutive quarters. We coordinated the headquarters to conduct 12 centralized inspections and 11 “four no’s and two directs” inspections, identified 73 issues, and held 21 reminder conversations. Four joint meetings of the big supervision work committee were organized, 15 supervision bulletins were issued, and 16 supervision reminders were addressed.

Seventh, ongoing governance and rectification of violations of the Central Eight Provisions were conducted. A work plan was formulated to address and deepen the special governance of violations of the Central Eight Provisions, aligning with CRCC’s consistent deployment. Based on the arrangements of the Company’s Party committee, four special clean-up and rectification efforts were launched, including “business dealings between former employees and the Company”, “former employees violating non-competition clauses” and “implementation of meeting resolutions of the Company since 2023”. Meeting procedures were standardized, advancing five delayed matters. Quarterly dynamic clean-ups were conducted on “employees engaging in commercial business” and “business dealings between the Company and enterprises run by relatives or specific related parties of leaders”.

Eighth, full participation was ensured in the nomination, review and supervision of delegates for the Company’s second Party congress, cadre selection and appointment, and outstanding performance evaluations, with integrity opinions provided.

Ninth, the “four forms” of supervision and discipline were applied precisely. We assisted the secretary to the Commission for Discipline Inspection in conducting eight group or individual reminder conversations with heads and responsible persons of affiliated units regarding key issues such as intermediate frequency furnace splashes, high-altitude falls by outsourced personnel, and the “100-Day Intensive Work” campaign, involving 52 people.

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Tenth, the Commission for Discipline Inspection of the Company, through suggestions & complaints box or its email, received complaint letters and whistle-blowing. It attached importance to each whistle-blowing, and ensured that each whistle-blowing is handled properly, achieving a 100% resolution rate for problem clues. The commission enforced strict accountability system and issued the notice of any identified non-compliance with the disciplines throughout the Company so that each of the employees gets to know its increasingly tough stance on violations of disciplines.

II. Internal Monitoring System of the Company

It covers the establishment of the supervision work system of various governance entities and auditing, disciplinary inspection, supervision, inspections, legal, financial and other departments, including the establishment of institutions and the relevant provisions of supervision duties:

The disciplinary inspection and supervision agency of the Company includes the Discipline Inspection Committee (five members), the Discipline Inspection Committee Work Department (three full-time personnel), five disciplinary committees of subsidiaries, and part-time disciplinary personnel.

According to the requirements of the new situation, the Company formulated regulations such as the Implementation Measures for Secretaries to Commission for Discipline Inspection of Affiliated Units to Strengthen Supervision of Leaders at the Same Level and Leadership Teams, the Performance Assessment Measures for Secretaries to Commission for Discipline Inspection of Affiliated Units and the Implementation Measures for the Big Supervision Work of the Party Committee; revised the Handbook for Prevention of Integrity Risks, the Measures for the Administration of Letters, and other work regulations, publicized the Company's anti-corruption policies and related measures in various ways, advocated a loyal and diligent corporate culture, and assisted employees to correctly handle conflicts of interest and resist the temptation of illegitimate interests. The Company also conducts education and training on state laws, regulations and integrity ethics for all employees each year, requiring them to abide by state laws and regulations, industry standards, professional ethics norms and regulations of the Company.

During the reporting period, efforts made by the Company to combat bribery, blackmail, fraud and money laundering were as follows:

- (i) organizing the annual conference with respect to Party conduct and clean governance as well as anti-corruption, in which the Company conveyed the spirit and work requirements put forward at the meeting of the Central Committee and superior disciplinary committees. The Company formulated the annual work highlights of Party conduct building and anti-corruption, political inspection and supervision work plan;

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- (ii) carrying out anti-corruption education month series activities, including holding exhibitions featuring typical cases of violations of the “Six Disciplines” and outstanding employee works of calligraphy and painting on integrity, inviting two deputy procurators from the Kunming Railway Transport Procuratorate to give special lectures to 260 Party members and leaders, organizing 92 leaders and key personnel to visit the Yunnan Province Anti-Corruption Warning Education Base for an “immersive” on-site warning activity;
- (iii) promoting the procedure-based and standardized publicity of integrity education, and developed the integrity education into the annual Key Points of Party Conduct Construction and Anti-corruption; and employing new media approaches, such as OA system, WeChat and SMS to publicize the integrity education;
- (iv) establishing integrity records for cadres, implementing the dynamic management for the integrity of cadres of the middle-level and higher-level of respective entities, requiring members of the leadership team and cadres above the middle level to sign “undertaking letter on clean practice” and report personal income, and sending anti-corruption messages to management (of middle level and above) before important festivals and holidays;
- (v) focusing on the supervision and discipline innovation, requiring agents and suppliers of all businesses to sign integrity contract with the Company to prevent the violations of disciplines and laws, and terminating cooperation with and blacklisting agents and suppliers breaching regulations and disciplines immediately; and
- (vi) receiving whistleblowing letters, attaching importance to handling reports, and striving for effective settlement for each report with a 100% resolution rate for problem clues; strictly implementing the accountability mechanism, and reporting wrongdoings throughout the Company to inform everyone and exert pressure.

The Company prevents the occurrence of litigation cases related to corruption through the following measures:

- (i) enhancing the red line awareness of the laws and regulations. The Company organizes Directors and management personnel and employees to learn the Regulations of the Communist Party of China on Disciplinary Actions and the Regulations on Disciplinary Actions against Management Personnel of State-owned Enterprises, and organizes all the staff in the Company to study the “Regulations on Violations of Disciplines and Rules of Employees (provisional)” of the Company, and the secretary of the Commission for Discipline Inspection gave special learning sessions on education on anti-corruption for the leaders and cadres;
- (ii) enhancing the warning education for key personnel. We regularly organize key personnel such as leaders and cadres of the middle-level and above, personnel of finance, bidding and procurement and logistics, to receive “immersive” warning education;

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- (iii) enhancing daily supervision. Taking the control of the Party Committee as the center, we promote the implementation of the “Two Responsibilities” under the principle of strict governance of the Party. We delegate responsibility and impose pressure at all levels; enforce strict assessment by revising the key work requirements related to disciplinary inspection in the Party Building Work Responsibility Assessment at the beginning of each year. We urge the functional departments to strengthen the supervision on the business in their responsibility and hold the responsible functional departments accountable for problems causing serious impacts and major losses due to their insufficient supervision; and update prevention and control manual on anti-corruption risks to enhance the daily supervision on anti-corruption risks arising from key sections and key personnel;
- (iv) establishing integrity records for cadres. We collect the basic information, resume, main members of the family, audits involved, clues and handling of the whistleblowing-related issues of the leaders and cadres of the middle-level above of the Company, and implement the dynamic management to effectively strengthen the daily supervision on leaders and cadres, and consolidate the foundation of anti-corruption work;
- (v) seriously implementing the system of discipline and accountability and strengthening the investigation and punishment of violations of disciplines. We create a high-pressure environment of discipline and accountability, and issue effective warnings to prevent the occurrence of litigation cases related to corruption.

During the reporting period, there was no case of corruption lawsuit against the Company or its employees.

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PART V COMMUNITY

The objective of community investment was to create true and sustainable benefits for communities where the Company operated its businesses. In addition to charity activities, we established partnership with communities and encouraged employees to participate in volunteer activities, thus building up long-term community investment pattern.

During the reporting period, the Company took part in community activities for 34 hours, and incurred RMB10,146.

The Company took part in community construction mainly in the following three ways:

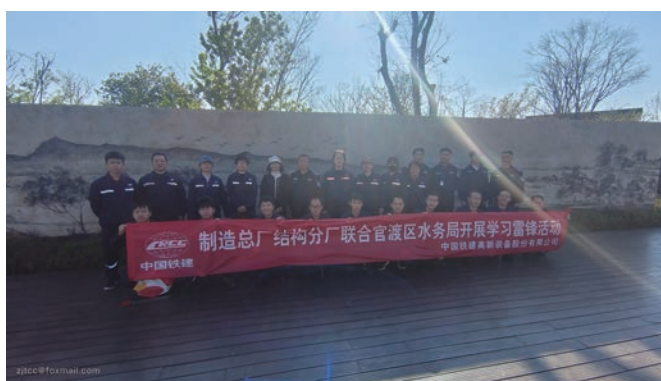
- (i) Offering support to employees and encouraging and arranging them to participate in volunteer activities, such as visiting nursing homes and senior apartments regularly, organizing blood donation, and etc.;
- (ii) Making donations in the form of money, goods and materials or services to directly support and fund various public welfare projects. While making donations by ourselves, the Company also called on related parties for donations;
- (iii) Sharing responsibilities in community construction, promoting interaction with community members by offering shuttle bus services and establishing entertainment centers for the elderly.

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During the reporting period, the Company organized the following community co-construction activities, including but not limited to:

- (i) A series of voluntary activities to commemorate Lei Feng Memorial Day were organized in March.

The Company, in collaboration with the Xingfu Linli Community, launched a series of volunteer service activities themed “Promoting the Spirit of Lei Feng, Contributing Youthful Strength”. More than 100 volunteers successively cleaned up white garbage, pet feces and other debris from public green belts, roads, sidewalks and areas around the Company and community premises, and cleared and dredged drainage ditches around the factory area. In active response to the Notice on Organizing Lei Feng Day and “I Am a Doer of Civilized Practices” Themed Activities, and to guide young members of the Communist Youth League to care for the environment and foster a civilized trend of “planting green, protecting green, and loving green”, the Company’s Youth League Committee meticulously planned and organized a voluntary tree-planting activity themed “Embracing Spring, Sowing Green”. Additionally, the “One Piece of Clothing Equals Love” Little Red Box campaign collected over 300 donated clothing items, fully embodying the spirit of “Old Clothes with Boundless Warmth and Love”.



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- (ii) We co-hosted the “March 8th Red Flag Bearer” Commendation Conference and the 2nd Women’s Forum with the Guandu District Federation of Trade Unions and Xingfu Linli Community in March.

More than 110 people attended the event, including leaders from the Kunming City and Guandu District Federation of Trade Unions, relevant leaders of the Company, grassroots Party organization secretaries, trade union chairpersons, women’s committee members, “March 8th Red Flag Bearers” and female employee representatives. The event recognized and commended “March 8th Red Flag Bearers” and featured a Women’s Artisan Forum where participants shared their inspiring stories of dedication, growth and achievements in their respective roles.



- (iii) The Company’s “Encounter Beauty” State-Owned Enterprise Open Day Event was launched in May.

On 16 May, organizational cadres from Diqing Tibetan Autonomous Prefecture, Yunnan Province, visited CRCCE. On the afternoon of 22 May, Yunnan Sports Vocational and Technical College conducted a united front activity with CRCCE. On 14 August, the Career Development and Employment Guidance Center of Chongqing University led Yunnan-native master’s and doctoral students from the 2025 graduating class of Chongqing University to visit CRCCE for the 7th “Mission Journey” summer employment practice activity. On 12 October, the “Young Scientists’ Tour of 100 Cities” event was held at CRCCE in Yunnan.



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- (iv) We promoted traditional culture and created a festive atmosphere for traditional holidays in June.

The Company's trade union, in collaboration with Xingfu Linli Community, organized the 2024 "Our Festival • Celebrating Children's Day and Welcoming Dragon Boat Festival" parent-child activity for the Dragon Boat Festival. More than 150 participants, including grassroots trade union cadres, employee representatives, their children, family members, and community volunteers, took part in the event.



- (v) The "70 Years of Dedication, Crafting the Future with Ingenuity" Kunming Master Craftsman Forum was held at CRCCE in August and September.

In line with the Company's efforts in development and reform of its industrial workforce, and in collaboration with the Kunming Human Resources and Social Security Bureau, related Kunming enterprises, master craftsman studios, and chief technicians under the "Spring City Project", the "70 Years of Dedication, Crafting the Future with Ingenuity" Kunming Master Craftsman Forum was held at CRCCE. Through sharing personal growth stories of renowned teachers and craftsmen, the event promoted professional ethics and conduct, upheld the spirit of model workers, labor, and craftsmanship, and strengthened employees' occupational morals and integrity.



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PART VI ENVIRONMENTAL PROTECTION

I. Environmental Management

1. Environmental management system certification

The Company established and passed the environmental management system certification according to the GB/T24001:2004 environmental management system standard in 2013. The Company updated the system according to the ISO14001:2015 version and passed the certification in 2016. In 2022, the Company passed the GB24001-2016/ISO14001:2015 system re-certification and continuously obtained the environmental management system certificate. In 2024, the Company passed the GB24001-2016/ISO14001:2015 system supervision certification and continued to maintain the environmental management system certification.



**Environmental Management
System Certificate for
GB24001-2016/ISO14001:2015**

2. Establishment of environmental management system

The Company collects, identifies and obeys the requirements of national laws and regulations, and incorporates applicable provisions into its own management system based on actual operation. The Company has established various systems in respect of wastewater, exhaust gas and waste discharge, such as "Management and Control Procedures of Pollutant Emission", "Management System on Waste Goods and Materials", "Monitoring & Measuring Control Procedures of Environmental and Occupational Health and Safety Performance", "Control Procedures of Environmental Resources" and so on. The Company complies with "Integrated Emission Standard of Air Pollutants", "Integrated Wastewater Discharge Standard" and "Emission Standard for Industrial Enterprises Noise at Boundary" respectively in respect of the emission of exhaust gas, wastewater and noise at boundary. Companies with monitoring qualification were commissioned to monitor the discharge of pollutants, and found all discharges comply with relevant standards.

No unexpected environmental incident and environmental pollution accident occurred during the reporting period.

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3. *Measures on environmental management*

During the reporting period, main measures taken by the Company regarding environmental protection include:

- (i) Establishing an environmental management system, conducting regular internal inspection and audit on an annual basis and engaging external certification institution to inspect and audit the environmental management of the Company and ensure the effectiveness of the system. The Company passed the re-certification on the environmental management system by China Classification Society Quality Assurance Ltd. in 2022. In 2024, the Company passed the supervision certification and continued to maintain the environmental management system certification.
- (ii) Carrying out clean production. The Company continued to implement the acceptance inspection of qualified clean production enterprises, reduced waste generation from the source, reduced and lowered energy consumption, and improved the effects of energy conservation and emission reduction by implementing clean production programs. In 2024, the Company passed the “Clean Production Audit” and the evaluation for “Qualified Enterprise for Cleaner Production in Yunnan Province” by Kunming Ecological Environment Bureau.
- (iii) Attaching importance to the emergency management of environmental emergencies. The Company has established a comprehensive emergency management system comprising comprehensive plan, special emergency plan and on-site disposal plan. The Emergency Plan for Environmental Emergencies was revised in 2024 and has been filed with Kunming Ecological Environment Bureau. It carried out emergency drills each year to improve the Company’s emergency response capability for environmental emergencies. In 2024, the Company completed five emergency drills for environmental pollution incidents.
- (iv) Implementing standardized management of hazardous wastes. The Company focused on monitoring hazardous wastes, established management system, put hazardous wastes at a fixed point, and assigned special personnel to be in charge, leading to a clear standing book. In 2024, the Company’s management satisfied with the assessment requirements of standardized management of hazardous wastes of Kunming Environmental Protection Bureau.
- (v) Disclosing the Company’s pollutant discharge data and information, regularly publishing the environmental monitoring results on the national pollutant monitoring platform, and accepting public supervision.

During the reporting period, there were no major environmental or climate-related issues that had or might have an impact on the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. Emission Management

The Company insists on reducing the emission of pollutants and wastes and strictly complies with international conventions and domestic laws and regulations related to air pollution. The Company has also formulated a number of regulations to strictly control the placement and disposal of waste coatings, used packaging, and production waste, and to continuously improve environmental management practices and measures to reduce waste generation and increase recycling.

1. Waste and its emission control

The Company strictly complies with the requirements of national laws, regulations and specifications. The Company has established various systems in respect of wastewater, exhaust gas and waste discharge. Compliance assessment is conducted annually, the results of which are in compliance with laws and regulations. In 2024, the Company renewed the pollutant discharge permit, formulated an annual monitoring plan, and regularly commissioned third-party monitoring institutions to monitor wastewater and exhaust gas emissions and boundary noise. Three wastes discharge of the Company met with relevant standards in 2024, with emissions (concentration) falling within the scope of the pollutant discharge permit as approved.

During the reporting period, the Company proposed to achieve standard discharge of wastewater, waste and noise, and recycle no less than 90% of wastewater.

The major pollutants discharged from the Company's exhaust gas are benzene, toluene and xylene. The major pollutants discharged from wastewater are chemical oxygen demand, ammonia nitrogen and total phosphorus. During the reporting period, wastewater disposed of, recycled and discharged by the Company was 84,392 tons, 83,656 tons and 736 tons, respectively. The wastewater recycling rate reached 99.1%, meeting the waste reduction target for 2024. The Company discharged 0.006771 tons of chemical oxygen demand, 0.000109902 tons of ammonia nitrogen, 0.11817 tons of benzene, 0.118226 tons of toluene, 0.21069 tons of xylene, and 1.56835 tons of total non-methane hydrocarbon.

According to the requirements of the Company's pollutant discharge permit, the Company organizes environmental monitoring every year, and the monitoring results are all up to standard and meet the total emission requirements. The Company's wastewater pH, SS, COD, BOD, NH₃-N, PO₄-P, LAS and petroleum emissions meet the Class I standard A under the Discharge Standard of Pollutants for Urban Sewage Treatment Plant, the dust and benzene series emissions in the air emissions meet the Class II standard under the Integrated Emission Standard of Air Pollutants, and the noise at the factory boundary meets the Class II standard under the Noise Standard for Industrial Enterprises at the Factory Boundary.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Statistics of total greenhouse gas generated from the consumption of gasoline and diesel oil during the Company's production process in 2024 are summarized as follows:

Category	Activity data	Greenhouse gas	Emission (tCO ₂ e)	Unit consumption (tCO ₂ e/unit)
Diesel oil	707.18 tons	CO ₂	2,490.47	10.46
		CH ₄	1.44	0.006
		N ₂ O	32.50	0.137
Gasoline	0 ton	CO ₂	0	0
		CH ₄	0	0
		N ₂ O	0	0

Statistics of various kinds of waste goods and materials during the Company's production process in 2024 are summarized as follows:

General waste (non-hazardous):

Category	Weight (ton)	Unit weight (ton/unit)
Steel scrap	898.29	3.774
Iron scurf	336.74	1.415
Aluminium scrap	14.51	0.061
Waste wire	15.89	0.067
Oxidizing slag	92.76	0.390
Molten casting of steel scrap	693.64	2.914
Waste wooden boards	Recycled	—
Waste oil barrels	577 pieces	2.424

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Hazardous waste (harmful):

Category	Weight (ton)	Unit weight (ton/unit)
Waste spongy filter	15.538	0.065
Emulsion	22.226	0.093
Waste paints	3.511	0.015
Waste paint pot	17.731	0.075
Mineral oils	87.575	0.368
Resin barrel	11.88	0.050
Activated carbon	3.764	0.016
Waste battery	11.32	0.048
Waste paint sludge	12.843	0.054
Oily waste (oil sludge)	31.21	0.131

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Statistics of total consumption of packaging materials during the production process of the Company in 2024 are summarized as follows:

No.	Material	Model and Specification	Unit	Consumption
1	Wooden box for export	1100*950*950	piece	1,120
2	Ordinary carton	250mmX150mmX200mm	piece	Nil
3	Packaging plywood	12mm	square	5,667
4	Packaging plywood	18mm	square	21,172
5	Ink graffiti remover (ZEP)	WRITE AWAY	barrel	919
6	Scotch tape	60mm	roll	1,810
7	Tin strap	18mm*50KG	roll	40
8	Rustproof bag	1150×1150×1550	box	76
9	Steel nail row	ST-64	box	270
10	Woven bag with double inner membrane	120*152	piece	1,100
11	Composite vapor phase antirust protective film TL-024	1mX100m	roll	85
12	Canvas guard	2400X1100X1100	piece	240
13	Canvas guard	300X100	piece	240
14	Ordinary carton	600x300x300	piece	700
15	Rust remover (ZEP)	147024 (3.78KG/barrel)	bottle	52
16	Long-acting anticorrosive coating (ZEP)	13OZ/bottle	barrel	444
17	Powerful oil remover for aviation	200Z/bottle	barrel	144
18	Compressed carton	150x100x100	piece	Nil

Note: The Company produces customized products, so it is impossible to count the quantity of packaging materials per production unit.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. *Waste prevention measures and technology*

The Company requires and encourages all employees to act responsibly and to promote environmental protection in the Company's supply chain and related markets. Large railway track maintenance machinery is mostly provided with advanced exhaust gas emission treatment equipment to ensure that the environmental performance of products and systems meets high requirements and relevant operating standards, and the Company continues to pay attention to the research and development of environmental protection equipment and environmental protection technologies. The Company understands and monitors the impact of the Company's daily operations on the environment by continuously monitoring and announcing the Company's organized exhaust emissions. The Company has introduced large-scale ventilation and dust removal systems, welding fume purifier, sewage treatment and reclaimed water reuse systems to reduce smoke and dust emissions and land pollution, implemented 6S management on production sites and improved the stacking and management of materials or wastes.

During the reporting period, the Company mainly conducted the followings with respect to discharge:

(i) *Wastewater treatment*

The Company has a sewage treatment station which treats wastewater with A/O2 method with daily treatment capacity of 800 cubic meters. Reclaimed water will be discharged upon reaching first class level A standard of "Wastewater Discharge Standard", and most of it will be reused in the Company's greening, dust reduction, car washing and so on, and the rest will be discharged to East Baisha River after meeting relevant standard. In 2023, Kunming City carried out the transformation of the rain and sewage diversion system, and the Company was included in the scope of the transformation. After the completion of the transformation in 2024, the pre-treatment of the Company's production wastewater met the standard and directly discharged into the urban sewage drainage network system of the city.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(ii) *Exhaust gas treatment*

General dust is discharged into high-altitude air through centrifugal air compressor after being filtered by dust extractor of the equipment, and more than 90% of the dust will be reduced. Welding fume is generally treated by layered air-supplying method, of which the treatment system is comprised of air treatment system (dust extracting), secondary air stream supplying system and controlling system. With a filter core made of durable polyester which is of low absorbability for viscous materials, the dust extractor reaches efficiency of 99.9%.

For spray painting purification system, the Company adopts integrated equipment with functions of spray painting, drying and purification, the air was purified through the three-stage filtration process involving dry filter cotton + activated carbon fiber organic exhaust gas purification device + catalytic combustion, and the paint mist was emitted after meeting the standards through adsorption and purification. Natural gas is used as the drying energy source, which reduced environmental pollution and lowered VOC emissions.

(iii) *Boundary noise treatment*

The Company applies measures to reduce noises by erecting high-noise equipment on the vibration-damping foundation, equipping draught fans with flexible joints and inlet and outlet pipes of pump, installing silencers for tubes of draught fans and air compressors, erecting closed solid walls in workshops equipped with equipment generating great noise, and planting plants with great noise reduction effect outside the walls to form planting strip in order to reduce the grade of noise.

During the reporting period, the Company adopted the following methods to dispose of waste materials:

General waste materials: Firstly, the Company strengthened the trainings for waste materials management personnel, learned about state laws and regulations, relevant systems and operating procedures, and mastered emergency measures. Secondly, the Company signed letter of responsibility with key units regarding environmental protection, clarified the assessment content and rewards and punishments, and organized the assessment. Thirdly, the Company maximized classification and recycling of recyclable waste materials to reduce the number of new raw materials to be purchased and mitigate the environmental burden caused by processing waste. Fourthly, the Company engages a third-party organization to regularly monitor and publicize the Company's important environmental indicators and occupational hazards each year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Hazardous waste materials: Firstly, the Company implemented clean production, adopted clean energy, advanced technology and equipment, and purchased emulsion, mineral oil and filter cotton with good quality and in line with national environmental protection requirements, so as to prolong the service life of materials and control the generation of hazardous wastes from the source. Secondly, the Company improved the conversion rate of materials, and reduced and replaced the use of hazardous substances to cut down on the amount of hazardous waste. Thirdly, the Company adopted the approach of classified collection, fixed-point storage, and special management to prevent leakage of hazardous wastes. Fourthly, the Company established hazardous waste storage system to standardize the storage of hazardous wastes. Fifthly, the Company entrust qualified units to dispose of hazardous wastes in a timely manner: it signed a disposal agreement with Yunnan Dadi Fengyuan Environmental Protection Co., Ltd. for non-hazardous disposal of waste paint barrels, waste paint, waste paint residue, waste emulsion, waste filter cotton, waste activated carbon and waste asbestos; signed a disposal agreement with Yunnan Guanglai Renewable Resources Co., Ltd. for non-hazardous disposal of waste mineral oil, oily waste and waste battery; and signed the Sales Contract for Waste Materials with Yunnan Pingde Trading Co., Ltd. to dispose of scrap iron and scrap renewable resources generated in the production process. Sixthly, the Company organizes company-level emergency handling drills regularly each year or under the guidance of local government departments to improve the Company's response capability for environmental emergencies.

During the reporting period, there were no environmental emergencies for which the Company was held accountable.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. Management of Use of Energy

1. Energy conservation and consumption reduction

Adhering to the aim of constructing a resource-saving and eco-friendly enterprise, the Company actively made efforts towards energy saving and emissions reduction, with focus on limiting production of high energy consumption and high pollutant while developing energy-saving and eco-friendly industries as well as promoting uses of energy-saving products. The Company vigorously developed new high-tech and high value-added products of high-end underground equipment series to facilitate continuous reduction in energy consumption per unit of output value and energy consumption per unit product of the enterprise. In compliance with national and industrial requirements such as the Environmental Protection Law of the People's Republic of China, Energy Conservation Law of the People's Republic of China, Air Pollution Prevention Law of the People's Republic of China, Water Law of the People's Republic of China, Water Pollution Prevention Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Wastes and Measures for the Administration of Energy Efficiency Labels, the Company rolled out reasonable adjustment to corporate structure, product structure and energy consumption structure, eliminated backward production capacity and reduced pollutant discharge in order to become a green corporation.

The Company advocates adopting the systems of "lower cost and higher efficiency" and "energy conservation and emission reduction" among our employees, and formulated documents such as "Administration Measures on Energy Conservation and Emission Reduction", "Waste Management Rules" and etc., to supervise the use of energy of the Company. We strive to enhance our energy utilization efficiency, reduce operation cost and prevent environment pollution.

The Company has established an energy management system, issued a management manual, 12 procedural documents and relevant reports on energy assessment, conformity assessment and management assessment, passed the examination by the certification body and obtained the certificate on 23 December 2024.



Energy Management System
Certificate for GB/T 23331-2020/
ISO50001:2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Statistics of total energy consumption during the production process of the Company in 2024 are summarized as follows:

Category	Total consumption	Unit consumption
Electricity	16.381 million kwh (including 4.95996 million kwh of PV electricity)	68,800 kwh/unit
Gasoline	0 ton	0 ton
Diesel oil	707.18 tons	2.97 ton/unit
Lubricating oil	125.705 tons	0.53 ton/unit
Natural gas	296,582m ³	1,246.14 m ³ /unit
Water	185,117m ³	777.80 m ³ /unit

(Note: The above statistics are in accordance with Yunnan Province Energy Statistical Report System, and the data of water and electricity represent consumption during core production, auxiliary production and subsidiary production.)

2. Comprehensive management

In strict accordance with the requirements of relevant documents of local government, the Company submits statements and summary reports to the Statistics Bureau of Guandu District of Kunming as scheduled, and accepts irregular inquiries from the Economic and Trade Bureau/Statistics Bureau and Water Saving Office of Kunming and Guandu District. It actively organizes the National Energy Conservation Publicity Week and the National Low Carbon Day each year, and formulates summary report and submits as required. The Company strictly implemented the Notice on Energy Saving Control Target in the 14th Five-Year Period and the Management Measures for Energy Conservation and Emission Reduction of the Company. All energy-consuming units shall submit energy consumption reports every month as required, so as to monitor the whole process of energy consumption. The Company's energy management personnel will inspect the safety of energy equipment and facilities and the energy conservation of key energy-consuming equipment in each production and energy-consuming unit on an ad hoc basis, severely punish the responsible person for the situation found in the inspection that affected the Company's power consumption safety and caused energy waste, and impose assessment on the units causing energy waste for several times.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. Management results

(i) Achievement of energy-saving indicators

In 2024, the Company's comprehensive energy consumption was 3,456.36 tons of standard coal, representing a year-on-year increase of 4.35% from 2023. The comprehensive energy consumption was 0.01069 tons of standard coal/RMB10,000 output, representing a year-on-year decrease of 3.04% from 2023, a decrease of 25.37% as compared with the base period (2022), and a decrease of 15.96% from the goal set for 2024. Despite a slight year-on-year increase in total energy consumption in the current period, the comprehensive energy consumption per RMB10,000 output have over achieved the control targets of the "14th Five-Year Plan" period.

In 2024, the Company achieved the goal of comprehensive energy consumption of 0.013054 tons of standard coal/RMB10,000 output.

(ii) Achievement of total carbon emission control target

The Company's total carbon emission control target for 2024 is 1,612.74 tons. As of 31 December 2024, the Company's total carbon emission was 1,910 tons, after deducting carbon assets of 838.66 tons from photovoltaic power plants and trees in 2024, the Company's actual carbon emission was 1,071.34 tons, achieving the total carbon emission control target for 2024.

The photovoltaic power stations of the Company generated electricity of 7.505840 million kWh in 2024, creating 4,759.31 tons of carbon assets for the Company. In particular, the Company utilized 4.94 million kwh of PV electricity, accounting for 65.8% of the total electricity generated from PV power stations. Calculated on the basis of the average grid tariff of RMB0.7/kwh and the average PV tariff of RMB0.213/kwh, the electricity saving for the Company amounted to RMB2.4058 million.

The Company takes concrete actions to realize the development philosophy of "Lucid waters and lush mountains are invaluable assets" by actively aligning our corporate action with China's goal of achieving "peak carbon" emission by 2030 and becoming "carbon neutral" by 2060 and strictly implementing the "Notice on Energy Conservation Control Targets during the 14th Five-Year Period". The greening rate is as high as 30% within areas of the Company, and the Company has invested in the planting of 9,583 trees with a crown of five meters or more, and therefore the Company has been honored with the titles of "Gardening Unit of Kunming City" and "Gardening Unit of Yunnan Province".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(iii) *Achievement of water efficiency target*

As of 31 December 2024, the Company consumed 245,700 tons of production water, and the water efficiency was 0.76 tons of production water/RMB10,000 output, which met the requirements of the water withdrawal quota and water consumption quota for metal processing and machinery manufacturing enterprises as set out in the Water Consumption Quota of Yunnan Province (2019 Edition Jing Yun Shui Fa [2019] No. 122 Publication), which was better than the common value of 15 m³/RMB10,000.

Note: The above statistics include subsidiaries. The data of water and electricity represent consumption during core production, auxiliary production and subsidiary production.

The Company established two sewage treatment stations, of which the daily processing capacity of the stations in district 44 of the Company's headquarters in Kunming and Beijing Ruiweitong Company are 800 tons and 50 tons respectively. The Company actively promoted the implementation of reuse of grey water, which was mainly for large-scale road maintenance machinery raining test, cleaning, dust reduction as well as greening, etc. As of 31 December 2024, a total of 83,656 m³ of grey water was used during the Year.

During the "14th Five-Year Plan" period, the Company will continue to strengthen environmental protection, further enhance the sense of responsibility and mission of ecological civilization construction required of listed companies, and resolutely win the battle of pollution prevention and control.

During the reporting period, the Company did not encounter any difficulties in searching water fit for purpose.

AUDITOR'S REPORT

Zhi Tong Shen Zi (2025) No. 110ASXXXX

TO THE SHAREHOLDERS OF CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

I. OPINION

We have audited the accompanying financial statements of CRCC High-Tech Equipment Corporation Limited ("CRCC"), which comprise the consolidated balance sheet and the balance sheet of the Company as at 31 December 2024, the consolidated income statement and income statement of the Company, the consolidated cash flow statement and the cash flow statement of the Company, and the consolidated statement of changes in shareholders' equity and statement of changes in shareholders' equity of the Company for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2024, and the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of CRCC in accordance with the code of ethics for professional Accountants of the Chinese Institute of Certified Public Accountants and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

AUDITOR'S REPORT

(I) Recognition of revenue

For details of relevant disclosures, please refer to Note III-24 and Note V-38 to the financial statements.

1. Description

The revenue of the Company mainly comes from the sales of track maintenance machinery, maintenance of track maintenance machinery, sales of parts and components and railway line construction maintenance services. Single sales contracts entered into by the Company involve significant amount, and recognition of revenue requires judgement from the management, the authenticity and completeness of which has a significant impact on its operating results and financial statements. Therefore, we identify revenue recognition as a key audit matter.

2. Audit response

Our major audit procedures for the revenue recognition include:

- (1) understanding and evaluating the design effectiveness of the internal control relevant to revenue recognition, and testing the effectiveness of operation of the key internal control;
- (2) selecting samples to review the sales contracts, judging the composition of the contract performance obligations and the timing of transfer of control rights, to assess whether the policy and timing to recognise the Company's sales revenue meet the requirements under the Accounting Standards for Business Enterprises and have been applied consistently;
- (3) selecting, on the basis of procedures of external confirmations for accounts receivable and revenue, samples of revenue transactions recorded for the current period, checking the supportive documents relevant to revenue recognition, and verifying the sales contracts, sales order, machinery ex-factory hand-over letters, customer's receipt, export customs declaration, etc. in order to check the authenticity and accuracy of revenue recognition;
- (4) performing analytical procedures on revenue and cost, including: analysis on fluctuation in revenue, cost, gross profit margin for each month of the current period, in order to check the reasonableness of revenue recognition;
- (5) Analyzing major revenue resources based on revenue sources and fluctuations in gross profit margin, and inspecting whether such fluctuations were in line with the actual operating condition of the Company;
- (6) Selecting samples of revenue transactions recorded around the balance sheet date and checking the sales order, customer's receipt, and other supportive documents, in order to evaluate whether the revenue is recorded in an appropriate accounting period.

AUDITOR'S REPORT

IV. OTHER INFORMATION

Management of CRCCE (the “**management**”) is responsible for the other information. The other information comprises all of the information included in the 2024 annual report of CRCCE, other than the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of CRCCE is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and designing, implementing and maintaining necessary internal controls, so that financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing CRCCE’s ability to continue as a going concern, disclosing, matters related to going concern (if applicable) and using the going concern assumption, unless the management either intends to liquidate CRCCE or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CRCCE’s financial reporting process.

AUDITOR'S REPORT

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to affect the economic decisions of users made based on the financial statements.

In the process of performing audit work in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. At the same time, we also perform the following tasks:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understand of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CRCCE's internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CRCCE's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, we should express a non-unqualified opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CRCCE to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and contents of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within CRCCE to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S REPORT

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be perceived to affect our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that are of most significance in the audit of the financial statements of the current period and therefore constitute the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Zhitong
Certified Public Accountants LLP

Beijing, the PRC

Certified Public Accountant of China
(Engagement Partner)
Certified Public Accountant of China
27 March 2025

CONSOLIDATED AND COMPANY BALANCE SHEET

31 December 2024

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Notes	Closing balance		Closing balance for the previous year	
		Consolidated	Company	Consolidated	Company
Current assets:					
Cash and bank balances	V-1	1,746,956,785.12	1,577,589,176.76	1,457,596,638.25	1,353,487,541.40
Held-for-trading financial assets					
Bills receivable	V-2 XIV-1	350,244,218.18	349,947,247.88	178,335,443.53	176,308,751.17
Accounts receivable	V-3 XIV-2	1,729,218,766.73	1,575,526,829.22	2,146,828,079.28	2,064,733,525.06
Receivables financing	V-4	65,414,758.27	58,771,032.37	105,024,338.93	103,026,965.61
Prepayments	V-5	65,341,847.66	63,575,256.32	50,139,398.55	43,299,553.88
Other receivables	V-6 XIV-3	30,297,749.85	174,063,050.38	75,027,927.52	248,594,349.18
Including: Interest receivable					
Dividend receivable					
Inventories	V-7	2,877,622,541.32	2,647,917,012.20	2,782,427,893.94	2,532,061,408.50
Contract assets	V-8	15,421,013.38	2,366,483.74	5,847,349.21	3,803,019.19
Assets held for sale					
Non-current assets due within one year					
Other current assets	V-9	11,880,506.61	8,284,996.27	6,662,024.69	4,045,565.52
Total current assets		6,892,398,187.12	6,458,041,085.14	6,807,889,093.90	6,529,360,679.51

CONSOLIDATED AND COMPANY BALANCE SHEET

31 December 2024

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Notes	Closing balance		Closing balance for the previous year	
		Consolidated	Company	Consolidated	Company
Non-current assets:					
Debt investments					
Other debt investments					
Long-term receivables					
Long-term equity investments	XIV-4		417,576,012.32		396,876,012.32
Other equity instrument investments	V-10	469,616,000.00	469,616,000.00	356,034,000.00	356,034,000.00
Other non-current financial assets					
Investment property	V-11	23,363,374.96	23,363,374.96	27,287,854.85	27,287,854.85
Fixed assets	V-12	1,379,185,618.18	1,262,989,267.33	1,483,185,593.49	1,366,826,214.62
Construction in progress	V-13	6,075,838.08	5,899,624.87	3,561,675.94	2,325,497.77
Productive biological assets					
Oil and gas assets					
Right-of-use assets	V-14	15,242,819.93		17,188,711.85	
Intangible assets	V-15	316,392,668.69	171,163,255.85	326,231,786.68	176,458,650.25
Development expenditure					
Goodwill	V-16	12,488,542.97		12,488,542.97	
Long-term deferred expenses	V-17	14,760,513.65			
Deferred income tax assets	V-18	8,271,323.55		11,151,579.63	3,804,962.08
Other non-current assets	V-19	13,080,491.60	12,380,490.00	13,880,490.00	13,880,490.00
Total non-current assets		2,258,477,191.61	2,362,988,025.33	2,251,010,235.41	2,343,493,681.89
Total assets		9,150,875,378.73	8,821,029,110.47	9,058,899,329.31	8,872,854,361.40

CONSOLIDATED AND COMPANY BALANCE SHEET

31 December 2024

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Notes	Closing balance		Closing balance for the previous year	
		Consolidated	Company	Consolidated	Company
Current liabilities:					
Short-term borrowings					
Held-for-trading financial liabilities					
Bills payable	V-21	546,907,509.65	548,035,752.35	700,986,215.72	700,986,215.72
Accounts payable	V-22	1,901,162,903.70	1,800,476,851.70	1,996,937,400.06	1,996,134,738.82
Advance received	V-23	427,978.43	427,978.43	1,705,165.82	1,705,165.82
Contract liabilities	V-24	321,860,381.80	315,974,833.17	289,791,440.82	277,515,675.49
Employee benefits payable	V-25	28,144,645.17	20,284,721.12	15,698,470.14	8,350,834.88
Taxes payable	V-26	94,108,890.64	72,027,936.31	70,166,433.29	64,529,182.88
Other payables	V-27	51,548,925.49	50,892,959.95	56,613,892.93	49,400,478.51
Including: Interest payable					
Dividend payable					
Liabilities held for sale					
Non-current liabilities due within one year	V-28	43,857,470.21	40,684,252.75	34,893,202.21	30,628,884.98
Other current liabilities	V-29	54,573,280.19	54,573,280.19	57,798.16	
Total current liabilities		3,042,591,985.28	2,903,378,565.97	3,166,850,019.15	3,129,251,177.10

CONSOLIDATED AND COMPANY BALANCE SHEET

31 December 2024

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Notes	Closing balance		Closing balance for the previous year	
		Consolidated	Company	Consolidated	Company
Non-current liabilities:					
Long-term borrowings					
Bonds payable					
Lease liabilities	V-30	14,283,452.22		15,631,369.84	
Long-term payables					
Estimated liabilities					
Deferred income	V-31	39,510.45		72,697.84	
Deferred income tax liabilities	V-18	19,689,250.08	19,689,250.08		
Other non-current liabilities					
Total non-current liabilities		34,012,212.75	19,689,250.08	15,704,067.68	–
Total liabilities		3,076,604,198.03	2,923,067,816.05	3,182,554,086.83	3,129,251,177.10

CONSOLIDATED AND COMPANY BALANCE SHEET

31 December 2024

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Notes	Closing balance		Closing balance for the previous year	
		Consolidated	Company	Consolidated	Company
Shareholders' equity:					
Share capital	V-32	1,519,884,000.00	1,519,884,000.00	1,519,884,000.00	1,519,884,000.00
Including: Preferred stock					
Perpetual bonds					
Capital reserve	V-33	3,224,727,994.03	3,271,445,482.07	3,224,727,994.03	3,271,445,482.07
Less: Treasury shares					
Other comprehensive income	V-34	345,799,495.07	343,722,412.28	250,426,152.11	247,084,605.71
Special reserve	V-35				
Surplus reserve	V-36	161,583,676.42	161,583,676.42	151,251,994.06	151,251,994.06
Retained earnings	V-37	787,189,578.06	601,325,723.65	714,911,976.09	553,937,102.46
Total equity attributable to shareholders of parent company		6,039,184,743.58	5,897,961,294.42	5,861,202,116.29	5,743,603,184.30
Non-controlling interests		35,086,437.12		15,143,126.19	
Total shareholders' equity		6,074,271,180.70	5,897,961,294.42	5,876,345,242.48	5,743,603,184.30
Total liabilities and shareholders' equity		9,150,875,378.73	8,821,029,110.47	9,058,899,329.31	8,872,854,361.40

CONSOLIDATED AND COMPANY INCOME STATEMENT

For the Year 2024

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Notes	Amount for the current period		Amount for the previous period	
		Consolidated	Company	Consolidated	Company
I. Operating revenue	V-38 XIV-5	3,119,620,673.82	2,912,471,223.67	3,099,977,185.20	3,028,894,492.60
Less: Operating cost	V-38 XIV-5	2,523,461,210.93	2,422,988,404.93	2,674,153,165.02	2,679,521,355.62
Taxes and surcharges	V-39	27,121,434.65	23,454,104.46	24,073,785.34	22,268,525.22
Selling expenses	V-40	119,220,243.62	105,241,622.78	130,408,220.73	119,143,372.51
Administrative expenses	V-41	171,017,098.94	128,847,280.15	172,257,187.47	131,431,565.63
Research and development expenses	V-42	237,954,575.48	225,380,130.55	358,954,448.39	351,352,945.41
Finance expenses	V-43	-31,090,186.40	-30,869,184.94	-14,235,873.79	-14,217,211.18
Including: Interest expenses	V-43	524,103.56		672,575.11	
Interest income	V-43	21,519,367.84	21,739,402.60	20,295,315.49	19,764,240.09
Plus: Other income	V-44	43,886,408.49	41,655,147.89	7,890,993.90	7,040,187.55
Investment income ("-" for losses)	V-45 XIV-6	7,644,000.00	9,412,117.85	4,941,796.04	9,382,044.37
Including: Investment income from associates and joint ventures					
Revenue from derecognition of financial assets measured at amortized cost ("-" for losses)					
Net exposure hedging returns ("-" for losses)					
Gain from fair value changes ("-" for losses)					
Credit impairment losses ("-" for losses)	V-46	21,349,691.22	28,078,415.30	28,957,048.25	24,970,606.16
Impairment losses on assets ("-" for losses)	V-47	-6,492,926.07	-6,806,716.86	-161,975,695.11	-139,631,928.54
Gains on disposal of assets ("-" for losses)	V-48	-262,586.81	-283,499.11	500,854,725.65	500,611,715.64
II. Operating profit ("-" for losses)		138,060,883.43	109,484,330.81	135,035,120.77	141,766,564.57
Plus: Non-operating income	V-49	3,210,299.45	285,170.08	2,937,822.89	1,158,983.73
Less: Non-operating expenses	V-50	759,351.27	12,195.75	884,630.97	33,205.18
III. Total profit ("-" for total losses)		140,511,831.61	109,757,305.14	137,088,312.69	142,892,343.12
Less: Income tax expenses	V-51	11,662,716.35	6,440,481.59	-8,053,495.31	-10,634,324.97

CONSOLIDATED AND COMPANY INCOME STATEMENT

For the Year 2024

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Notes	Amount for the current period		Amount for the previous period	
		Consolidated	Company	Consolidated	Company
IV. Net profit ("-" for net losses)		128,849,115.26	103,316,823.55	145,141,808.00	153,526,668.09
(I) Classification by continuity of business operation:					
Including: Net profit from continuing operations ("-" for net losses)		128,849,115.26	103,316,823.55	145,141,808.00	153,526,668.09
Net profit from discontinued operations ("-" for net losses)					
(II) Classification by ownership:					
Including: Net profit attributable to shareholders of the parent company ("-" for net losses)		128,205,804.33	103,316,823.55	145,035,124.92	153,526,668.09
Net profit attributable to non-controlling interests ("-" for net losses)		643,310.93		106,683.08	
V. Other comprehensive income after tax		95,373,342.96	96,637,806.57	-149,841,379.38	-151,918,041.90
Attributable to shareholders of the parent company		95,373,342.96	96,637,806.57	-149,841,379.38	-151,918,041.90
(I) Other comprehensive income that cannot be reclassified subsequently to profit or loss		96,544,700.00	96,544,700.00	-151,939,200.00	-151,939,200.00
1. Changes in remeasurement of the defined benefit plan					
2. Other comprehensive income that cannot be reclassified to profit and loss under equity method					
3. Changes in fair value of other equity instrument investments		96,544,700.00	96,544,700.00	-151,939,200.00	-151,939,200.00
4. Fair value changes in enterprise's own credit risk					
5. Others					

CONSOLIDATED AND COMPANY INCOME STATEMENT

For the Year 2024

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Notes	Amount for the current period		Amount for the previous period	
		Consolidated	Company	Consolidated	Company
(II) Other comprehensive income that will be reclassified subsequently to profit or loss		-1,171,357.04	93,106.57	2,097,820.62	21,158.10
1. Other comprehensive income that may be reclassified to profit or loss under equity method					
2. Changes in fair values of other debt investments					
3. The amount of financial assets reclassified into other comprehensive income		88,424.92	93,106.57	96,792.83	21,158.10
4. Provision for credit impairment of other debt investments					
5. Reserve for cash flow hedging					
6. Translation difference of financial statements in foreign currencies		-1,259,781.96		2,001,027.79	
7. Excess of fair value over carrying value at the date of conversion of property for own use or property held as inventory to investment property measured at fair value					
8. Difference between the disposal price and carrying value of the corresponding net assets in each transaction prior to the loss of control where the disposal of equity interests in subsidiaries in multiple transactions in stages constitutes a package deal					
9. Others					
Other comprehensive income after tax attributable to non-controlling interests					
VI. Total comprehensive income		224,222,458.22	199,954,630.12	-4,699,571.38	1,608,626.19
Total comprehensive income attributable to the shareholders of the parent company		223,579,147.29	199,954,630.12	-4,806,254.46	1,608,626.19
Total comprehensive income attributable to non-controlling interests		643,310.93		106,683.08	
VII. Earnings per share:	V-52				
(I) Basic earnings per share		0.08		0.10	
(II) Diluted earnings per share					

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

For the year 2024

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Notes	Amount for the current period		Amount for the previous period	
		Consolidated	Company	Consolidated	Company
I. Cash flows from operating activities					
Cash received from sale of goods and rendering of services		3,787,566,304.33	3,561,442,551.49	3,481,767,607.65	3,275,272,968.56
Refund of taxes and surcharges				18,376,240.38	4,442,257.33
Cash received from other operating activities	V-53	55,517,200.51	45,963,330.53	39,189,373.63	37,168,857.72
Sub-total of cash inflows from operating activities		3,843,083,504.84	3,607,405,882.02	3,539,333,221.66	3,316,884,083.61
Cash paid for goods purchased and services received		2,614,977,557.65	2,621,662,724.59	2,473,036,392.49	2,459,171,723.71
Cash paid to and for employees		581,493,231.20	430,563,329.05	535,545,329.47	416,857,292.19
Cash paid for taxes and surcharges		110,552,093.89	72,167,924.63	117,728,644.90	58,946,164.83
Cash paid for other operating activities	V-53	252,882,468.99	243,993,426.38	326,456,880.73	294,834,865.89
Sub-total of cash outflows from operating activities		3,559,905,351.73	3,368,387,404.65	3,452,767,247.59	3,229,810,046.62
Net cash flow from operating activities		283,178,153.11	239,018,477.37	86,565,974.07	87,074,036.99
II. Cash flows from investing activities					
Cash received from disinvestment					
Cash received from return on investments		7,644,000.00	9,412,117.85	5,390,000.00	9,830,248.33
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		46,790,761.34	46,790,179.62	267,639,536.96	267,149,216.06
Net cash received from disposal of subsidiaries and other business units					
Cash received from other investing activities					
Sub-total of cash inflows from investing activities		54,434,761.34	56,202,297.47	273,029,536.96	276,979,464.39
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		26,825,275.86	9,736,725.93	28,222,132.95	11,277,218.44
Cash paid for investment			20,700,000.00		
Net cash paid for acquisition of subsidiaries and other business units					
Cash paid for other investing activities		596,597,409.78	583,725,652.48		
Sub-total of cash outflows from investing activities		623,422,685.64	614,162,378.41	28,222,132.95	11,277,218.44
Net cash flows from investing activities		-568,987,924.30	-557,960,080.94	244,807,404.01	265,702,245.95

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

For the year 2024

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Notes	Amount for the current period		Amount for the previous period	
		Consolidated	Company	Consolidated	Company
III. Cash flows from financing activities					
Cash received from absorbing investments		19,300,000.00			
Including: Cash received from non-controlling interests' investment in subsidiaries		19,300,000.00			
Cash received from borrowings					
Cash received from bond issuance					
Cash received from other financing activities					
Sub-total of cash inflows from financing activities		19,300,000.00	-	-	-
Cash paid for repayment of borrowings					
Cash paid for distribution of dividends, profits or payment of interest		45,734,502.28	45,734,502.28	37,850,981.15	37,850,981.15
Including: Payments for distribution of dividends or profit to non-controlling interests by subsidiaries					
Cash paid for other financing activities					
Sub-total of cash outflows from financing activities		45,734,502.28	45,734,502.28	37,850,981.15	37,850,981.15
Net cash flows from financing activities		-26,434,502.28	-45,734,502.28	-37,850,981.15	-37,850,981.15
IV. Effect of foreign exchange rate changes on cash and cash equivalents		1,703,016.10	1,748,094.27	924,378.19	538,499.34
V. Net increase in cash and cash equivalents	V-54	-310,541,257.37	-362,928,011.58	294,446,775.12	315,463,801.13
Plus: Opening balance of cash and cash equivalents	V-54	1,457,596,638.25	1,353,487,541.40	1,163,149,863.13	1,038,023,740.27
VI. Closing balance of cash and cash equivalents	V-54	1,147,055,380.88	990,559,529.82	1,457,596,638.25	1,353,487,541.40

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year 2024

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Amount for the current period						
	Equity attributable to shareholders of parent company						Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	comprehensive income	Special reserve	Surplus reserve	
I. Closing balance at the end of last year	1,519,884,000.00	3,224,727,994.03		250,426,152.11	151,251,994.06	714,911,976.09	5,876,345,242.48
Plus: Changes in accounting policies							
Correction of accounting errors in prior period							
Business combination involving entities under common control							
Others							
II. Opening balance for the current year	1,519,884,000.00	3,224,727,994.03		250,426,152.11	151,251,994.06	714,911,976.09	5,876,345,242.48
III. Movements in the current year (decrease is represented by "-")							
(i) Total comprehensive income				95,373,342.96	10,331,682.36	72,277,601.97	197,925,938.22
(ii) Capital contributed or reduced by shareholders				95,373,342.96		128,205,804.33	224,222,458.22
1. Ordinary shares contributed by shareholders							19,300,000.00
2. Amount of share-based payment recognized in shareholders' equity							19,300,000.00
3. Others							
(iii) Profit distribution							
1. Appropriation of surplus reserve			-		10,331,682.36	-55,928,202.36	-45,596,520.00
2. Appropriation of profit to shareholders					10,331,682.36	-10,331,682.36	
3. Others						-45,596,520.00	-45,596,520.00
(iv) Internal carry-over of shareholders' equity							
1. Transfer of capital reserve to share capital							
2. Transfer of surplus reserve to share capital							
3. Surplus reserve to cover losses							
4. Other comprehensive income carried forward to retained earnings							
5. Others							
(v) Special reserve					9,021,543.79		9,021,543.79
1. Appropriations in the current period							
2. Utilization in the current period (represented by "-")					-9,021,543.79		-9,021,543.79
(vi) Others							
IV. Closing balance for the current year	1,519,884,000.00	3,224,727,994.03		345,799,495.07	161,583,676.42	787,189,578.06	6,074,271,180.70

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year 2024

Prepared by: CRCC High-Tech Equipment Corporation Limited							Unit: RMB	
Item	Amount for the previous period						Non-controlling interests	Total shareholders' equity
	Equity attributable to shareholders of parent company							
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Retained earnings		
I.	Closing balance at the end of last year	1,519,884,000.00	3,224,727,994.03	400,267,531.49		135,899,327.25	15,036,443.11	5,918,960,680.96
	Plus: Changes in accounting policies							81,232.90
	Correction of accounting errors in prior period							
	Business combination involving entities under common control							
	Others							
II.	Opening balance for the current year	1,519,884,000.00	3,224,727,994.03	400,267,531.49		135,899,327.25	15,036,443.11	5,919,041,913.86
III.	Movements in the current year (decrease is represented by "-")							
(I)	Total comprehensive income			-149,841,379.38		15,352,666.81	106,683.08	-42,696,671.38
(II)	Capital contributed or reduced by shareholders			-149,841,379.38		145,035,124.92	106,683.08	-4,699,571.38
	1. Ordinary shares contributed by shareholders							
	2. Amount of share-based payment recognized in shareholders' equity							
	3. Others							
(III)	Profit distribution							
	1. Appropriation of surplus reserve					15,352,666.81	-53,349,766.81	-37,997,100.00
	2. Appropriation of profit to shareholders					15,352,666.81	-15,352,666.81	
	3. Others						-37,997,100.00	-37,997,100.00
(IV)	Internal carry-over of shareholders' equity							
	1. Transfer of capital reserve to share capital							
	2. Transfer of surplus reserve to share capital							
	3. Surplus reserve to cover losses							
	4. Other comprehensive income carried forward to retained earnings							
	5. Others							
(V)	Special reserve							
	1. Appropriations in the current period					8,213,636.59		8,213,636.59
	2. Utilization in the current period (represented by "-")					-8,213,636.59		-8,213,636.59
(VI)	Others							
	Closing balance for the current year	1,519,884,000.00	3,224,727,994.03	250,426,152.11		151,251,994.06	15,143,126.19	5,876,345,242.48

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the Year 2024

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Amount for the current period					Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	comprehensive income	Other income	
					Special reserve	Retained earnings
I. Closing balance at the end of last year	1,519,884,000.00	3,271,445,482.07		247,084,605.71	151,251,994.06	553,937,102.46
Plus: Changes in accounting policies						
Correction of accounting errors in prior period						
Others						
II. Opening balance for the current year	1,519,884,000.00	3,271,445,482.07		247,084,605.71	151,251,994.06	553,937,102.46
III. Movements in the current year						
(decrease is represented by "-")						
(I) Total comprehensive income				96,637,806.57	10,331,682.36	47,388,621.19
(II) Capital contributed or reduced by shareholders				96,637,806.57		103,316,823.55
1. Ordinary shares contributed by shareholders						
2. Amount of share-based payment recognized in shareholders' equity						
3. Others						
(III) Profit distribution						
1. Appropriation of surplus reserve					10,331,682.36	-55,928,202.36
2. Appropriation of profit to shareholders					10,331,682.36	-10,331,682.36
3. Others						-45,596,520.00
(IV) Internal carry-over of shareholders' equity						
1. Transfer of capital reserve to share capital						
2. Transfer of surplus reserve to share capital						
3. Surplus reserve to cover losses						
4. Other comprehensive income carried forward to retained earnings						
5. Others						
(V) Special reserve						
1. Appropriations in the current period					4,882,929.31	
2. Utilization in the current period					-4,882,929.31	
(represented by "-")						
(VI) Others						
IV. Closing balance for the current year	1,519,884,000.00	3,271,445,482.07		343,722,412.28	161,583,676.42	601,325,723.65
						5,897,961,294.42

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the Year 2024

Prepared by: CRCC High-Tech Equipment Corporation Limited								Unit: RMB
Item	Share capital	Capital reserve	Less: Treasury shares	Amount for the previous period		Surplus reserve	Retained earnings	Total shareholders' equity
				Equity attributable to shareholders of parent company	Other comprehensive income			
I. Closing balance at the end of last year	1,519,884,000.00	3,271,445,482.07		399,002,647.61		135,899,327.25	453,760,201.18	5,860,050,413.42
Plus: Changes in accounting policies								
Correction of accounting errors in prior period								
Others								
II. Opening balance for the current year	1,519,884,000.00	3,271,445,482.07		399,002,647.61		135,899,327.25	453,760,201.18	5,779,991,658.11
III. Movements in the current year (decrease is represented by "-")								
(I) Total comprehensive income				-151,918,041.90		15,352,666.81	100,176,901.28	-36,388,473.81
(II) Capital contributed or reduced by shareholders				-151,918,041.90			153,526,668.09	1,608,626.19
1. Ordinary shares contributed by shareholders								
2. Amount of share-based payment recognized in shareholders' equity								
3. Others								
(III) Profit distribution								
1. Appropriation of surplus reserve						15,352,666.81	-53,349,766.81	-37,997,100.00
2. Appropriation of profit to shareholders						15,352,666.81	-15,352,666.81	
3. Others							-37,997,100.00	-37,997,100.00
(IV) Internal carry-over of shareholders' equity								
1. Transfer of capital reserve to share capital								
2. Transfer of surplus reserve to share capital								
3. Surplus reserve to cover losses								
4. Other comprehensive income carried forward to retained earnings								
5. Others								
(V) Special reserve								
1. Appropriations in the current period					4,202,668.03			4,202,668.03
2. Utilization in the current period (represented by "-")					-4,202,668.03			-4,202,668.03
(VI) Others								
IV. Closing balance for the current year	1,519,884,000.00	3,271,445,482.07		247,084,605.71		151,251,994.06	553,937,102.46	5,743,603,184.30

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

I. INFORMATION ABOUT THE COMPANY

CRCC High-Tech Equipment Corporation Limited (formerly known as “Kunming China Railway Large Maintenance Machinery Group Co., Ltd.”, the “**Company**”) is a joint stock company with limited liability registered in Kunming, Yunnan Province, the People’s Republic of China, transformed from Kunming China Railway Large Maintenance Machinery Group Co., Ltd. after an overall restructuring in 2015. On 16 December 2015, the Company issued a total of 531,900,000 H shares with a nominal value of RMB1.00 each in Hong Kong and listed the same on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”). As of 31 December 2024, the Company has issued a total of 531,900,000 H shares with a registered capital of RMB1,519,884,000. The registered address of the Company is located at No. 384 Yangfangwang, Jinma Town, China (Yunnan) Pilot Free Trade Zone.

The principal activities of the Company mainly consist of railway rolling stock design, manufacturing, sales and maintenance; railway transportation infrastructure equipment manufacturing; construction project design and construction; construction labour subcontracting; construction professional work; special equipment design, manufacturing, sales, installation, transformation and repair and inspection and testing services; mining of mineral resources (excluding coal mine); railway rolling stock parts manufacturing and sales; urban rail transit equipment manufacturing, rail transit operation and management system development, rail transit special equipment, key systems and components sales, rail transit engineering machinery and components sales; metal products research and development, metal materials manufacturing, metal structures manufacturing, metal products repair, metal structures sales; railway transportation infrastructure equipment sales, railway transportation equipment sales; import and export of goods; import and export of technologies; mineral washing and processing; structural components manufacturing; processing of stone for construction; construction materials sales; earthwork construction; external contracting works; general machinery and equipment installation services; machinery and equipment leasing; labour services (excluding labour dispatch); technical services, technology development, technical consultation, technology exchange, technology transfer, technology promotion; business training (excluding educational training, vocational skills training and other training that requires a permit).

The Company’s parent company is China Railway Construction Corporation Limited (“**CRCC**”) and the ultimate controller is China Railway Construction Group Corporation.

These financial statements and the notes to the financial statements were approved at the 19th meeting of the third session of the Board of the Company on 27 March 2025.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements were prepared in accordance with the Accounting Standards for Business Enterprises and its application guidance, interpretations and other relevant regulations issued by the Ministry of Finance (together referred to as the “**Accounting Standards for Business Enterprises**”). In addition, the Company disclosed relevant financial information in accordance with the relevant provisions of the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.

The financial statements are presented on a going-concern basis. The Company has the going-concern capability for at least 12 months from the end of the current reporting period, and there are no major issues that have an impact on the Company’s going-concern capability.

The Company’s accounting is based on the accrual basis of accounting. The financial statements are measured on the historical cost basis, except for certain financial instruments. If an asset is impaired, a corresponding provision for impairment is made in accordance with relevant regulations.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Company determines the depreciation of fixed assets, amortisation of intangible assets, and revenue recognition policies based on its own production and operation conditions, the detailed accounting policies are set out in Note III-14, Note III-17 and Note III-24.

1. Statement on compliance with the Accounting Standards for Business Enterprises

The financial statements are in compliance with the requirements of the Accounting Standards for Business Enterprises, and give a true and complete view of both consolidated and the Company’s financial position as at 31 December 2024, both consolidated and the Company’s operating results and cash flows for 2024 and other relevant information.

2. Accounting period

The Company’s accounting period is the calendar year, i.e., from 1 January to 31 December each year.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

3. Operating Cycle

The Company's operating cycle is 12 months.

4. Functional currency

The Company and its domestic subsidiaries adopt Renminbi (RMB) as functional currency. The overseas subsidiaries of the Company may determine their own functional currencies based on their specific economic environments. The Company adopts RMB to prepare its financial statements.

5. Accounting treatment of business combinations under common control and not under common control

(1) *Business combinations under common control*

For business combinations under common control, the assets and liabilities of the acquiree acquired by the acquirer in the combination are measured at the carrying value of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of the combination. The difference between the carrying value of the combination consideration (or the total nominal value of the shares issued) and the carrying value of the net assets acquired in the combination is adjusted to capital reserves equity premium, and if capital reserves equity premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations under common control achieved in stages through multiple transactions

Assets and liabilities of the acquiree acquired by the acquirer in the combination are measured at their carrying value in the consolidated financial statements of the ultimate controlling party at the date of the combination; the difference between the sum of the carrying value of investments held before the combination plus the carrying value of new consideration paid at the date of the combination and the carrying value of net assets acquired in the combination is adjusted to the capital reserves equity premium, and if capital reserves are not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. For long-term equity investment held by the acquirer before the control over the acquiree is obtained, profit or loss, other comprehensive income and other owners' equity recognized from the later of the acquisition of the original equity interest and the date when the acquirer and the acquiree are placed under ultimate common control until the date of combination are offset against retained profit at the beginning of the period of the comparative financial statements or profit or loss of the period respectively.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

5. Accounting treatment of business combinations under common control and not under common control (continued)

(2) *Business combinations not under common control*

For business combinations not under common control, the cost of combination is the assets paid, the liabilities incurred or committed and fair value of the equity securities issued for acquisition of control over the acquiree on the date of acquisition. At the date of acquisition, the assets, liabilities and contingent liabilities of the acquiree acquired are recognized at fair value.

Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be recognized as goodwill, and shall be subsequently measured at cost less accumulated impairment provisions; where the cost of combination is less than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be charged to current profit or loss after review.

Business combinations not under common control achieved in stages through multiple transactions

The cost of combination is the sum of the consideration paid on the acquisition date and the acquisition-date fair value of the equity interest held in the acquiree before the acquisition date. For the equity interest held in the acquiree before the acquisition date, it is remeasured at its fair value on the acquisition date, with the difference between the fair value and its book value included in the current investment income; the equity interest held in the acquiree before the acquisition date involving other comprehensive income and changes in other owners' equity is transferred to current income on the acquisition date, except for other comprehensive income arising from changes in net liabilities or net assets due to the remeasurement of the investee's defined benefit plans and other comprehensive income relating to investments in non-trading equity instruments that were originally designated as at fair value through other comprehensive income.

(3) *Treatment of transaction costs in business combination*

The intermediary costs for audit, legal services, evaluation consultation and others incurred for business combination as well as other related administration costs are recorded in current profit and loss when incurred. The transaction costs of equity securities or debt securities issued as consideration of combination are included in the initially recognized amount of the equity securities or debt securities.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Standards for judgement of control and preparation method of consolidated financial statements

(1) *Standards for judgement of control*

The scope of consolidation for the consolidated financial statements is determined based on control. Control refers to the power that the Company has over the investee, whereby it enjoys variable returns through participation in the investee's relevant activities and is able to use its power over the investee to affect its return. The Company will reassess when changes in relevant facts and circumstances result in changes to the relevant elements involved in the definition of control.

In determining whether to include a structured entity in the scope of consolidation, the Company evaluates whether to control the structured entity on the basis of a combination of all the facts and circumstances, including an assessment of the purpose and design for which the structured entity was established, the identification of the types of variable returns, and whether it assumes some or all of the variability of the returns through its participation in its related activities.

(2) *Preparation method of consolidated financial statements*

The consolidated financial statements are prepared by the Company based on the financial statements of the Company and its subsidiaries and other relevant information. When preparing consolidated financial statements, the accounting policies and accounting periods of the subsidiaries should be consistent with those established by the Company, and all significant intra-company balances and transactions are eliminated.

Where a subsidiary or business was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary or business are included in the consolidated financial statements as if the combination had occurred at the date that the ultimate controlling party first obtained control.

Where a subsidiary or business was acquired during the reporting period, through a business combination involving enterprises not under common control, the identifiable assets and liabilities of the acquired subsidiaries or business are included in the scope of consolidation from the date that control commences.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Standards for judgement of control and preparation method of consolidated financial statements (continued)

(2) *Preparation method of consolidated financial statements (continued)*

The portion of a subsidiary's equity that is not attributable to the parent is treated as noncontrolling interests and presented separately in the consolidated balance sheet within shareholders' equity. The portion of net profit or loss of subsidiaries for the period attributable to non-controlling interests is presented separately in the consolidated income statement below the "net profit" line item. When the amount of loss for the current period attributable to the noncontrolling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

(3) *Purchase of subsidiaries' non-controlling interests*

The difference between the cost of long-term equity investment newly acquired due to the purchase of non-controlling interest and the share of net assets of the subsidiary continuously calculated from the purchase date or merger date according to the newly increased shareholding ratio, and the difference between the disposal price obtained as a result of partial disposal of the equity investment in the subsidiary without loss of control and the share of net assets continuously calculated since the purchase date or the merger date corresponding to the disposal of the long-term equity investment of the subsidiary, should be adjusted to the capital reserve equity premium in the consolidated balance sheet, with any excess adjusted to retained earnings.

(4) *Treatment of loss of control of subsidiaries*

When the Company loses control over a subsidiary because of disposing part of equity investment or other reasons, the remaining part of the equity investment is re-measured at fair value at the date when the control is lost. A gain or loss is recognized in the current period and is calculated by the aggregate of consideration received in disposal and the fair value of remaining part of the equity investment deducting the share of net assets in proportion to previous shareholding percentage in the former subsidiary since acquisition date and the goodwill.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Standards for judgement of control and preparation method of consolidated financial statements (continued)

(4) *Treatment of loss of control of subsidiaries (continued)*

Other comprehensive income related to the equity investment of the former subsidiary shall be accounted for on the same basis as the direct disposal of the relevant assets or liabilities of the former subsidiary at the time of loss of control, and other changes in owner's equity related to the former subsidiary under the equity method of accounting shall be transferred to current profit or loss at the time of loss of control.

7. Recognition criteria for cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

8. Foreign currency transactions and translation of financial statements denominated in foreign currency

(1) *Foreign currency transactions*

Foreign currency transactions shall be translated into RMB at the exchange rate on the last day of each quarter.

On the balance sheet date, foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate upon initial recognition or the last balance sheet date will be recognized in profit or loss for the period. The foreign currency non-monetary items measured at historical cost shall still be measured by the functional currency translated at the spot exchange rate on the date of the transaction. Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate on the date of determination of the fair value. The difference between the amounts of the functional currency before and after the translation will be recognized in profit or loss or other comprehensive income for the period based on the nature of the non-monetary items.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

8. Foreign currency transactions and translation of financial statements denominated in foreign currency (continued)

(2) Translation of financial statements denominated in foreign currency

When translating the financial statements denominated in foreign currency of overseas subsidiaries, assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; equity items except for “retained profit” are translated at the spot exchange rates at the dates on which such items arose.

The income and expense items in the income statement are translated at the exchange rate determined by a systematic and reasonable method, which is approximate to the spot exchange rate on the date of transaction.

All items in the cash flow statements shall be translated at the exchange rate determined by a systematic and reasonable method, which is approximate to the spot exchange rate on the date of transaction. Effects arising from changes of exchange rate on cash shall be presented separately as the “effect of foreign exchange rate changes on cash and cash equivalents” item in the cash flow statements.

The differences arising from translation of financial statements shall be included in the “other comprehensive income” in shareholders’ equity in the balance sheet.

When a foreign operation is disposed of and control is lost, all or a proportionate share of the foreign-currency translation differences related to the foreign operation, as shown under shareholders’ equity in the balance sheet, are transferred to profit or loss for the period in which the foreign operation is disposed of.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or an equity instrument of another enterprise.

(1) *Recognition and derecognition of financial instruments*

A financial asset or a financial liability is recognized when the Company becomes one of the parties under a financial instrument contract.

Financial asset that satisfied any of the following criteria shall be derecognized:

- ① The contractual rights to receive the cash flows from the financial asset has terminated; or
- ② The financial asset has been transferred and meets the derecognition criteria for the transfer of financial asset as described below.

A financial liability (or a part thereof) is derecognized only when the present obligation is discharged in full or in part. If an agreement is entered between the Company (debtor) and a creditor to replace the existing financial liabilities with new financial liabilities, and the contractual terms of the new financial liabilities are substantially different from those of the existing financial liabilities, the existing financial liabilities shall be derecognized and the new financial liabilities shall be recognized.

Conventionally traded financial assets shall be recognized and derecognized at the trading date.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(2) *Classification and measurement of financial assets*

The Company classifies financial assets according to the business model for managing the financial assets and characteristics of the contractual cash flows as follows: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

Financial assets are measured at fair value at initial recognition. For financial assets at fair value through profit or loss, the relevant transaction costs are directly recognized in profit or loss; for other financial assets, the relevant transaction costs are recognized in their initial recognition amount. For receivables arising from the sale of products or the provision of services that do not contain or take into account a significant financing component, the Company initially recognizes the receivables at the amount of consideration to which it expects to be entitled.

Financial assets measured at amortized cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- The Company's business model of managing the financial assets aims at collecting contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(2) Classification and measurement of financial assets (continued)

Financial assets measured at amortized cost (continued)

Subsequent to the initial recognition, the effective interest rate method is adopted to measure the amortized cost of such financial assets. Gains or losses arising from financial assets that are measured at amortized cost and are not part of any hedging relationship shall be recorded in the current profit or loss when the financial assets are derecognized, amortized according to the effective interest method or impaired.

Financial assets measured at fair value through other comprehensive income

A financial asset is classified as measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated at fair value through profit or loss:

- The Company's business model of managing the financial asset aims at both collecting contractual cash flows and selling the financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to the initial recognition, such financial assets are subsequently measured at fair value. The interest, impairment of credit losses or gain and exchange loss or gain calculated using the effective interest rate method are included in the current profit or loss, while other gains or losses are included in other comprehensive income. When derecognized, the accumulated gains or losses previously recorded in other comprehensive income shall be transferred out from other comprehensive income and recorded in the current profit or loss.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(2) *Classification and measurement of financial assets (continued)*

Financial assets measured at fair value through profit or loss

The Company classifies the financial assets other than those measured at amortised cost and measured at fair value through other comprehensive income as financial assets measured at fair value through profit or loss. Upon initial recognition, the Company irrevocably designates certain financial assets that are required to be measured at amortised cost or at fair value through other comprehensive income as financial assets measured at fair value through profit or loss in order to eliminate or significantly reduce accounting mismatch.

Upon initial recognition, such financial assets are measured at fair value. Except for those held for hedging purposes, gains or losses (including interests and dividend income) arising from such financial assets are recognized in the profit or loss for the current period.

However, for non-trading equity instrument investments, the Company irrevocably designates them as financial assets measured at fair value through other comprehensive income at initial recognition. The designation is made based on individual investments and the relevant investments meet the definition of equity instruments from the issuer's perspective.

After initial recognition, such financial assets are subsequently measured at fair value. Dividend income that meets the conditions is included in profit or loss, other gains or losses and changes in fair value are included in other comprehensive income. Upon derecognition, the cumulative gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in retained earnings.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(2) Classification and measurement of financial assets (continued)

Financial assets measured at fair value through profit or loss (continued)

The business model of managing financial assets refers to how the Company manages financial assets to generate cash flows. That is, the Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Company determines the business model for managing financial assets on the basis of objective facts and specific business objectives for managing financial assets determined by key management personnel.

The Company assesses the characteristics of contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on specified dates are solely payments of principal and interest on the principal amount outstanding. The principal refers to the fair value of the financial assets at the initial recognition. Interest includes consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks, costs and profits. In addition, the Company evaluates the contractual terms that may result in a change in the time distribution or amount of contractual cash flows from a financial asset to determine whether it meets the requirements of the above contractual cash flow characteristics.

All affected financial assets are reclassified on the first day of the first reporting period following the change in the business model where the Company changes its business model for managing financial assets; otherwise, financial assets shall not be reclassified after initial recognition.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(3) *Classification and measurement of financial liabilities*

At initial recognition, financial liabilities of the Company are classified as: financial liabilities measured at fair value through profit or loss, and financial liabilities measured at amortized cost. For financial liabilities not classified as measured at fair value through profit or loss, relevant transaction costs are included in the amount initially recognized.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss upon initial recognition. Such financial liabilities are subsequently measured at fair value, and the gains or losses from the change in fair value and the dividend or interest expenses related to the financial liabilities are included in the profit or loss of the current period.

Financial liabilities measured at amortized cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, and the gains or losses arising from derecognition or amortisation are recognized in profit or loss for the current period.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(3) Classification and measurement of financial liabilities (continued)

The distinction between financial liabilities and equity instruments

Financial liabilities refer to liabilities that meet one of the following conditions:

- ① A contractual obligation to pay in cash or other financial assets to other parties.
- ② A contractual obligation to exchange financial assets or financial liabilities with another party under potentially adverse conditions.
- ③ A non-derivative contract that has to be settled with or can be settled with the entity's own equity instruments in the future, under which the entity will deliver a variable number of its own equity instruments.
- ④ A derivative contract that has to be settled with or can be settled with the entity's own equity instruments in the future, except for a derivative contract in which a fixed number of its own equity instruments are to be exchanged for a fixed amount of cash or other financial assets.

An equity instrument is a contract that certifies ownership of the remaining interest in an entity's assets after all liabilities have been deducted.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(3) *Classification and measurement of financial liabilities (continued)*

The distinction between financial liabilities and equity instruments (continued)

If the Company cannot unconditionally avoid fulfilling a contractual obligation by paying cash or delivering other financial assets, such contractual obligation meets the definition of financial liabilities.

Where a financial instrument must or may be settled with the Company's own equity instruments, the Company's own equity instruments used to settle such instrument should be considered as to whether it is as a substitute for cash or other financial assets or for the purpose of enabling the holder of the instrument to be entitled to the remaining interest in the assets of the issuer after deducting all of its liabilities. For the former, it is a financial liability of the Company; for the latter, it is the Company's own equity instruments.

(4) *Fair value of financial instruments*

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using an appropriate valuation technique that is applicable to current circumstances and supported by sufficient available data and other information. When applying valuation techniques, inputs used by market participants in the transactions of the assets or liabilities with similar characteristics would be used and observable inputs would be given priority to the extent possible. Unobservable inputs would only be used when it is impossible or impracticable to obtain relevant observable inputs.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(5) *Impairment of financial assets*

The Company accounts for impairment on financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (debt instruments) and financial guarantee contracts based on expected credit losses (ECLs).

The Company considers reasonable and justifiable information about past events, current conditions and forecasts of future economic conditions and calculates the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to be received based on the risk of default to determine the ECL.

For receivables and contract assets arising from transactions regulated by the Accounting Standards for Business Enterprises No. 14 – Revenue, the Company always measures loss allowance at an amount equal to lifetime ECLs regardless of whether they contain significant financing components.

For lease receivables arising from transactions regulated by the Accounting Standards for Business Enterprises No. 21 – Leases, the Company chooses to always measure loss allowance at an amount equal to lifetime ECLs. For other financial instruments, the Company assesses the changes in credit risk of relevant financial instruments since initial recognition on each balance sheet date.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(5) *Impairment of financial assets (continued)*

The Company compares the risk of default on financial instruments as at the balance sheet date with the risk of default as at the date of initial recognition to determine the relative change in the risk of default over the expected life of the financial instruments to assess whether the credit risk of the financial instruments has increased significantly since initial recognition. The Company generally considers that the credit risk of a financial instrument has increased significantly if it is overdue for more than 30 days, unless there is conclusive evidence that the credit risk of the financial instrument has not increased significantly since initial recognition.

If the credit risk of a financial instrument is low on the balance sheet date, the Company considers that the credit risk of the financial instrument has not increased significantly since initial recognition.

If the credit risk of the financial instrument has increased significantly since initial recognition, the Company measures its loss allowance at an amount equal to the lifetime ECLs of the financial instrument; if the credit risk of the financial instrument has not increased significantly since initial recognition, the Company measures its loss allowance at an amount equal to the 12-month ECLs of the financial instrument. The increase in or reversal of loss allowance resulting therefrom is included in the current profit or loss as an impairment loss or gain. For financial assets measured at fair value through other comprehensive income (debt instruments), loss allowance is recognized in other comprehensive income, and the impairment loss or gain is included in the current profit or loss, without reducing the carrying amount of the financial assets presented in the balance sheet.

The Gross carrying amount of a financial asset is directly written off to the extent that there is no realistic prospect of recovery of the contractual cash flows of the financial asset (either partially or in full).

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(6) *Transfer of financial assets*

Transfer of financial assets refers to the transfer or delivery of financial assets to another party other than the issuer of such financial assets (the transferee).

If the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, the financial asset shall be derecognized. If the Company retains substantially all the risks and rewards of ownership of a financial asset, the financial asset shall not be derecognized.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it accounts for the transaction as follows: if the Company does not retain control, it derecognizes the financial asset and recognizes any resulting assets or liabilities; if the control over the financial asset is not waived, the relevant financial asset is recognized according to the extent of its continuing involvement in the transferred financial asset and the relevant liability is recognized accordingly.

Accounting treatment for transfer of financial assets

The Company classifies the transfer of financial assets into a whole transfer and a partial transfer of financial assets. For a whole transfer of a financial asset that qualifies for derecognition, the difference between the two amounts below is recognized in the current profit or loss:

- The carrying amount of the transferred financial asset;
- The sum of the consideration received from the transfer and the accumulated changes in fair value originally directly included in owners' equity (where the financial asset transferred is a financial asset measured at fair value through other comprehensive income (debt instrument)).

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

(6) *Transfer of financial assets (continued)*

Accounting treatment for transfer of financial assets (continued)

If the partial transfer of a financial asset meets the conditions for derecognition, the overall carrying amount of the transferred financial assets shall be apportioned according to their respective relative fair values between the part derecognized and the part that is not derecognized, and the difference between the following two amounts shall be included in the current profit or loss:

- The carrying amount of the part derecognized;
- The sum of the consideration for the part derecognized and the amount corresponding to the part derecognized in the accumulated changes in fair value originally and directly included in owners' equity (where the financial asset transferred is a financial asset measured at fair value through other comprehensive income (debt instrument)).

(7) *Offset of financial assets and financial liabilities*

If the Company owns the legitimate rights of offsetting the recognized financial assets and financial liabilities, which are enforceable currently, and the Company plans to realise the financial assets or to clear off the financial liabilities on a net amount basis or simultaneously, the net amount of financial assets and financial liabilities shall be presented in the balance sheet upon offsetting. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet without offsetting.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company measures the relevant asset and liability at fair value, based on the presumption that the orderly transaction to sell the asset or transfer the liability takes place either in the principal market for the relevant asset or liability, or in the absence of a principal market, in the most advantageous market for relevant the asset or liability. The principal or the most advantageous market must be a trading market accessible by the Company at the measurement date. The Company adopts the presumption that market participants would use when pricing the asset or liability in their best economic interest.

If there exists an active market for a financial asset or financial liability, the Company uses the quotation on the active market as its fair value. If the market for a financial instrument is inactive, the Company uses valuation technique to recognise its fair value.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its best use or by selling it to another market participant that would use the asset in its best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs, and using unobservable inputs only if the observable inputs aren't available or impractical.

Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole. Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities obtainable at the measurement date. Level 2: observable inputs for the relevant asset or liability, either directly or indirectly, except for Level 1 input. Level 3: unobservable inputs for the relevant assets or liability.

At each balance sheet date, the Company reassesses assets and liabilities measured at fair value that are recognized in the financial statements on a recurring basis to determine whether transfers have occurred between fair value measurement hierarchy levels.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Inventories

(1) *Classification of inventories*

The Company's inventory is divided into raw materials, goods in process, goods in transit, finished goods, low-value consumables, packaging materials, etc.

(2) *Measurement method of cost of inventories*

The Company's inventory is valued at actual cost upon acquisition. Inventories are valued using the weighted average method when delivered.

(3) *Recognition of net realisable value of inventories and provision for inventory impairment*

On the balance sheet date, inventories shall be measured at the lower of cost and net realisable value. Provision for inventory impairment is made when the cost is higher than the net realisable value.

The net realisable value of inventory is the amount after deducting the estimated costs to complete, estimated selling expenses and related taxes from the estimated selling price of the inventory. The net realizable value of inventory is determined based on the conclusive evidence obtained, consideration is also given to the purpose of holding the inventory and the impact of events after the balance sheet date.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Inventories (continued)

(3) *Recognition of net realisable value of inventories and provision for inventory impairment (continued)*

Net realizable value of commodity stocks directly held for sale of the Company including finished goods, goods-in-stock and held-for-sale raw materials, during the normal course of production and operation, shall be determined by their estimated selling prices less estimated selling expenses and relevant tax fee; the net realizable value of inventory materials which needed to be processed, during the normal course of production and operation, shall be determined by the estimated selling price of the finished products which are produced during operation less the estimated costs to be incurred upon completion, estimated selling costs and relevant tax fees; the net realizable value of inventories held for fulfillment of the sales contracts or labour contracts shall be calculated based on the contracted price. If the quantity of inventories held exceeds the ordered quantity under the sales contract, the net realizable value of the excess of the inventories is generally calculated based on the normal selling prices. The categories and basis of determination, and different categories of inventories where the Company makes provision for decline in value of inventories on a collective basis.

Inventory	Basis for determination of portfolio	Basis for determining net realizable value
Raw materials	Same category	Estimated selling price less estimated costs to completion, estimated selling expenses and related taxes
Products in progress	Same category	Estimated selling price less estimated costs to completion, estimated selling expenses and related taxes

At the balance sheet date, in case the factors causing inventory impairment no longer exists, the original provision for inventory impairment shall be reversed.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Inventories (continued)

(4) *Inventory stock taking system*

The Company maintains a perpetual inventory system as its inventory stock taking system.

(5) *Amortization methods of low-value consumables and packaging materials*

The Company adopts the one-off write-off method for the amortization of low-value consumables when consumed.

Packaging materials are written off on a one-off basis.

12. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries and equity investments in joint ventures and associates. Associates of the Company are those investees that the Company imposes significant influence over.

(1) *Determination of initial investment cost*

Long-term equity investments acquired through business combinations: for a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of the owners' equity under the consolidated financial statements of the ultimate controlling party on the date of combination. For a long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost of the longterm equity investment shall be the cost of combination.

Long-term equity investments acquired through other means: for a long-term equity investment acquired by cash payment, the initial investment cost shall be the purchase cost actually paid; for a long-term equity investment acquired by issuing equity securities, the initial investment cost shall be the fair value of equity securities issued.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Long-term equity investments (continued)

(2) *Subsequent measurement and recognition of profit or loss*

Investments in subsidiaries shall be accounted for using the cost method. Except for the investments which meet the conditions of holding for sale, investments in associates and joint ventures shall be accounted for using the equity method.

For a long-term equity investment accounted for using the cost method, the cash dividends or profits declared by the investees for distribution shall be recognized as investment gains and included in profit or loss for the current period, except the case of receiving the actual consideration paid for the investment or the declared but not yet distributed cash dividends or profits which is included in the consideration.

For a long-term equity investment accounted for using the equity method, where the initial investment cost exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the investment cost of the long-term equity investment. Where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, adjustment shall be made to the carrying amount of the long-term equity investment, and the difference shall be charged to profit or loss for the current period.

Under the equity method, investment gain and other comprehensive income shall be recognized based on the Company's share of the net profits or losses and other comprehensive income made by the investee, respectively. Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Group's share of profit or cash dividend distributed by the investee. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of investee, the carrying amount of long-term equity investment shall be adjusted and included in the capital reserves (other capital reserves). The Group shall recognise its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto according to the accounting policies and accounting periods of the Company.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Long-term equity investments (continued)

(2) *Subsequent measurement and recognition of profit or loss (continued)*

For additional equity investment made in order to obtain significant influence or common control over investee without resulted in control, the initial investment cost under the equity method shall be the aggregate of fair value of previously held equity investment and additional investment cost on the date of transfer. For investments in non-trading equity instruments that were previously classified as at fair value through other comprehensive income, the cumulative fair value changes associated with them that were previously included in other comprehensive income are transferred to retained earnings upon the change to the equity method of accounting.

In the event of loss of common control or significant influence over investee due to partial disposal of equity investment, the remaining equity interest after disposal shall be accounted for according to the Accounting Standard for Business Enterprises No. 22 – Recognition and measurement of Financial Instruments. The difference between its fair value and carrying amount shall be included in profit or loss for the current period. In respect of other comprehensive income recognized under previous equity investment using equity method, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee at the time when equity method was ceased to be used. Movement of other owners' equity related to the previous equity investment shall be transferred to profit or loss for the current period.

In the event of loss of control over investee due to partial disposal of equity investment, the remaining equity interest which can apply common control or impose significant influence over the investee after disposal shall be accounted for using equity method. Such remaining equity interest shall be treated as accounting for using equity method since it is obtained and adjustment was made accordingly. For the remaining equity interest which cannot apply common control or impose significant influence over the investee after disposal, it shall be accounted for using the Accounting Standard for Business Enterprises No. 22 – Recognition and measurement of Financial Instruments. The difference between its fair value and carrying amount as at the date of losing control shall be included in profit or loss for the current period.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Long-term equity investments (continued)

(2) *Subsequent measurement and recognition of profit or loss (continued)*

If the shareholding ratio of the Company is reduced due to the capital increase of other investors, and as a result, the Company loses the control of but still can apply common control or impose significant influence over the investee, the net asset increase due to the capital increase of the investee attributable to the Company shall be recognized according to the new shareholding ratio, and the difference with the original carrying amount of the long-term equity investment corresponding to the shareholding ratio reduction part that should be carried forward shall be recorded in the profit or loss for the current period; and then it shall be adjusted according to the new shareholding ratio as if equity method is used for accounting when acquiring the investment.

In respect of the transactions between the Company and its associates and joint ventures, the share of unrealised gain or loss arising from internal transactions shall be eliminated by the portion attributable to the Company. Investment gain or loss shall be recognized accordingly. However, any unrealised loss arising from internal transactions between the Company and an investee is not eliminated to the extent that the loss is impairment loss of the transferred assets.

(3) *Basis for determining the common control and significant influence on the investee*

Common control is the contractually agreed sharing of control over an arrangement, which relevant activities of such arrangement must be decided by unanimously agreement from parties who share control. When determining if there is any common control, it should first be identified if the arrangement is controlled by all the participants or the group consisting of the participants, and then determined if the decision on the arranged activity can be made only with the unanimous consent of the participants sharing the control. If all the participants or a group of participants can only decide the relevant activities of certain arrangement through concerted action, it can be considered that all the participants or a group of participants share common control on the arrangement. If there are two or more participant groups that can collectively control certain arrangement, it does not constitute common control. When determining if there is any common control, the relevant protection rights will not be taken into account.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Long-term equity investments (continued)

(3) *Basis for determining the common control and significant influence on the investee (continued)*

Significant influence is the power of the investor to participate in the financial and operating policy decisions of an investee, but to fail to control or joint control the formulation of such policies together with other parties. When determining if there is any significant influence on the investee, the influence of the voting shares of the investee held by the investor directly and indirectly and the potential voting rights held by the investor and other parties which are exercisable in the current period and converted to the equity of the investee, including the warrants, stock options and convertible bonds that are issued by the investee and can be converted in the current period, shall be taken into account.

When the Company holds directly or indirectly through the subsidiary 20% (inclusive) to 50% of the voting shares of the investee, it is generally considered to have significant influence on the investee, unless there is concrete evidence to prove that it cannot participate in the production and operation decision-making of the investee and cannot pose significant influence in this situation. When the Company owns less than 20% of the voting shares of the investee, it is generally considered that it has not significantly influenced on the investee, unless there is concrete evidence to prove that it can participate in the production and operation decision making of the investee and can impose significant influence in this situation.

(4) *Method of impairment testing and impairment provision*

For the method for making impairment provision for the investment in subsidiaries, associates and joint ventures, please refer to Note III-19.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Investment property

Investment property refers to real estate held to earn rentals or for capital appreciation, or both. The investment property of the Company includes leased land use rights, land use rights held for sale after appreciation, and leased buildings and construction.

Investment properties are initially measured at acquisition cost, and depreciated or amortized using the same policy as that for fixed assets or intangible assets.

For the impairment of the investment properties accounted for using the cost model, refer to Note III-19.

Gains or losses arising from the sale, transfer, retirement or disposal of an item of investment property are determined as the difference among the net disposal proceeds, the carrying amount of the item, related taxes and surcharges, and are recognized in profit or loss for current period.

14. Fixed assets

(1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Company for use in production of goods, use in supply of services, rental or for administrative purposes with useful lives over one accounting year.

Fixed assets are recognized only when its related economic benefits are likely to flow to the Company and its cost can be reliably measured.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Fixed assets (continued)

(1) Recognition of fixed assets (continued)

The Company's fixed assets are initially measured at the actual cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Company and the related cost can be reliably measured. The cost of routine repairs of fixed assets that do not qualify as capitalised subsequent expenditure is charged to current profit or loss or included in the cost of the related assets in accordance with the beneficiary object when incurred. The carrying amount of the replaced part is derecognized.

(2) Depreciation of fixed assets

The Company adopts the straight-line method for depreciation. Provision for depreciation will be started when the fixed asset reaches its expected usable state, and stopped when the fixed asset is derecognized or classified as a non-current asset held for sale. Without regard to the depreciation provision, the Company determines the annual depreciation rate by category, estimated useful lives and estimated residual value of the fixed assets as below:

Category	Useful life (Years)	Residual value rate (%)	Annual depreciation rate (%)
House and buildings	20-35	5	4.75-2.71
Engineering equipment	10-25	5	9.50-3.80
Motor vehicles	5-10	5	19.00-9.50
Production equipment	5-10	5	19.00-9.50
Measurement and experimental equipment	5	5	19.00
Other fixed assets	3-5	5	31.67-19.00

In particular, for fixed assets that have been provided for impairment, the depreciation amount is determined based on the book value after deducting the impairment provision in the future period and the remaining useful life.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Fixed assets (continued)

- (3) The impairment test method and impairment provision method of the fixed assets are set out in Note III-19.
- (4) The Company will review the useful lives, estimated net residual value and depreciation method of the fixed assets at the end of each year.

When there is any difference between the useful lives estimate and the originally estimated value, the useful lives of the fixed asset shall be adjusted. When there is any difference between the estimated net residual value estimate and the originally estimated value, the estimated net residual value shall be adjusted.

(5) Disposal of fixed assets

A fixed asset is derecognized on disposal or when it is expected that there shall be no economic benefit arising from using or after disposal. Where the fixed assets are sold, transferred, retired or damaged, the income received after disposal after deducting the carrying amount and related taxes are recognized in profit or loss for the current period.

15. Construction in progress

Construction in progress of the Company is recognized based on the actual construction cost, including all necessary expenditures incurred for construction projects, capitalised borrowing costs for the construction in progress before it has reached the working condition for its intended use, and other related expenses during the construction period.

A construction in progress is reclassified to fixed assets when it has reached the working condition for its intended use.

The method for impairment provision of construction in progress is set out in Note III-19.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

16. Borrowing costs

(1) *Recognition principle for the capitalisation of the borrowing costs*

The borrowing costs incurred by the Company directly attributable to the acquisition, construction or production of a qualifying asset will be capitalised and included in the cost of relevant asset. Other borrowing costs will be recognized as expenses when incurred according to the incurred amount, and included in the profit or loss for the current period. When the borrowing costs meet all the following conditions, capitalisation shall be started:

- ① The capital expenditure has been incurred, which includes the expenditure incurred by paying cash, transferring non-cash assets or undertaking interest-bearing liabilities for acquiring, constructing or producing the qualifying assets;
- ② Borrowing costs have been incurred;
- ③ The acquisition, construction or production activity necessary for the asset to be ready for its intended use or sale has been started.

(2) *Capitalisation period of borrowing costs*

When a qualifying asset acquired, constructed or produced by the Company is ready for its intended use or sale, the capitalisation of the borrowing costs shall discontinue. The borrowing costs incurred after a qualifying asset is ready for its intended use or sale shall be recognized as expenses when incurred according to the incurred amount, and included in the profit or loss for the current period.

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months. The capitalisation of the borrowing costs shall be continued in the normal interruption period.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

16. Borrowing costs (continued)

(3) *Calculation methods for capitalisation rate and capitalised amount of the borrowing costs*

Where funds are borrowed for a specific purpose, the amount of interest to be capitalised shall be the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used into banks or any investment income on the temporary investment of those funds. Where funds are borrowed for general purpose, the Company shall determine the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. The capitalisation rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalisation period, exchange differences on a specific purpose borrowing denominated in foreign currency shall be capitalised. Exchange differences related to general purpose borrowings denominated in foreign currency shall be included in profit or loss for the current period.

17. Intangible assets

Intangible assets of the Company include land use rights, non-patented technology, software, etc.

The intangible asset is initially measured at cost, and its useful life is determined upon acquisition. If the useful life is finite, the intangible asset will be amortised over the estimated useful life using the amortisation method that can reflect the estimated realisation of the economic benefits related to the asset, starting from the time when it is available for use. If it is unable to reliably determine the estimated realisation, straight-line method shall be adopted for amortisation. The intangible assets with uncertain useful life will not be amortised.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Intangible assets (continued)

The amortization method for intangible assets with finite useful lives is as follows:

Item	Useful life (Year)	Basis for determining useful life	Amortization method	Remarks
Land use rights	40-50	Useful life indicated on the land use certificate	Straight-line method	
Software use rights	2-10	Useful life agreed in the contract	Straight-line method	
Non-patented technology	2	Useful life agreed in the contract	Straight-line method	
Others	7-10	Useful life agreed in the contract, etc.	Straight-line method	

The Company reviews the useful life and amortisation method of the intangible assets with finite useful life at the end of each year. If it is different from the previous estimates, the original estimates will be adjusted, and will be treated as a change in accounting estimate.

If it is estimated on the balance sheet date that certain intangible asset can no longer bring future economic benefit to the company, the carrying amount of the intangible asset will be entirely transferred into the profit or loss for the current period.

The impairment method for the intangible assets is set out in Note III-19.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Research and development expenses

The Company's research and development expenses are expenses directly related to the Company's research and development activities, including relevant employee compensation for personnel engaged in research and development activities, consumable materials, relevant depreciation and amortisation expenses and other related expenses.

The Company divides expenses for internal research and development projects into expenses in the research phase and expenses in the development phase. Research phase: a phase in which innovative and scheduled investigations and research activities are conducted to obtain and understand new scientific or technological knowledge. Development phase: a phase in which the research outcomes or other knowledge are applied for a plan or a design prior to the commercial production or use in order to produce new or substantially improved materials, devices, and products, etc.

Expenses incurred in the research phase are recognized in profit or loss in the period as incurred.

Expenses incurred in the development phase are capitalised if all of the following conditions are met: the technical feasibility of completing the intangible asset so that it will be available for use or for sale; the intention to complete the intangible asset for use or for sale; how the intangible asset will generate economic benefits including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset; the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; the expenditures attributable to the development of the intangible asset could be reliably measured. Development expenditures that do not meet the above conditions are recognized in profit or loss for the current period.

The Company's research and development projects enter the development phase after being established upon meeting the above conditions and passing the technical feasibility and economic feasibility studies.

If it is impossible to distinguish the expenses at the research phase and the expenses at the development phase, all the research and development expenses incurred shall be included in the current profit or loss.

Capitalized expenses on the development phase are shown as development costs in the balance sheet and transferred to intangible asset from the date on which it reaches the conditions for intended use.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

19. Impairment of assets

Impairment of subsidiaries, investment properties subsequently measured at cost, fixed assets, construction in progress, right-of-use assets, intangible assets, goodwill and others (excluding inventories, deferred tax assets and financial assets) is determined as follows:

The Company determines if there is any indication of asset impairment as at the balance sheet date. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test. Goodwill arising from business combinations, intangible assets with an indefinite useful life and intangible assets not ready for intended use will be tested for impairment annually, regardless of whether there is any indication of impairment.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. The Company estimates the recoverable amount of an individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company shall determine the recoverable amount of the asset group to which the asset belongs. The determination of an asset group is based on whether major cash inflows generated by the asset group are independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its book value, the book value is reduced to its recoverable amount. The reduction amount is charged to profit or loss and an impairment provision is made accordingly.

For the purpose of impairment test of goodwill, the book value of goodwill acquired in a business combination is allocated to the relevant asset groups on a reasonable basis from the acquisition date; where it is difficult to allocate to the related asset groups, it is allocated to the combination of related asset groups. The related asset groups or combination of asset groups are those which can benefit from the synergies of the business combination and are not larger than the reportable segments identified by the Company.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

19. Impairment of assets (continued)

In the impairment test, if there is any indication that an asset group or a combination of asset groups related to goodwill may be impaired, the Group first tests the asset group or set of asset groups excluding goodwill for impairment, calculates the recoverable amount and recognizes the corresponding impairment loss. An impairment test is then carried out on the asset group or combination of asset groups containing goodwill by comparing its book value with its recoverable amount. If the recoverable amount is lower than the book value, an impairment loss is recognized for goodwill.

An impairment loss recognized shall not be reversed in a subsequent period.

20. Long-term deferred expenses

Long-term deferred expenses incurred by the Company are measured at actual cost and amortised equally over the expected period of benefit. The amortised value of long-term deferred expenses that are not expected to benefit future periods is included in profit or loss for the current period.

21. Contract liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relation between the satisfaction of performance obligations and customer payments. The Company's obligation to transfer goods or provide services to customers for the consideration received or receivable from customers is presented as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

22. Employee benefits

(1) *Scope of employee benefits*

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to the Company's spouse, children, dependents, family members of deceased employees or other beneficiaries are also part of the employee benefits.

Employee benefits are presented as "employee benefits payable" and "long-term employee benefits payable" in the balance sheet, respectively, according to liquidity.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Employee benefits (continued)

(2) Short-term staff remuneration

Employee wages or salaries actually incurred, bonuses, and social insurance contributions such as medical insurance, work injury insurance, maternity insurance, and housing fund, contributed at the applicable benchmarks and rates, are recognized as a liability as the employees provide services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(3) Post-employment benefits

Post-employment benefit plans include defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into a separate fund and the Company has no future obligations for payment. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Defined contribution plans

Defined contribution plans include basic pension insurance, unemployment insurance and pension plan.

In addition to basic pension insurance, the Company will participate in the corporate annuity scheme and supplementary pension insurance approved by the local government. The Company will make annuity contributions in proportion to its employees' total salaries to the annuity scheme or local social institutes. The payment would be charged into current profit or loss or costs of relevant assets.

During the accounting period in which an employee provides service, the amount payable calculated according to the defined contribution plan is recognized as a liability and included in the profit or loss for the current period or the cost of relevant assets.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Employee benefits (continued)

(3) *Post-employment benefits (continued)*

Defined benefit plans

For defined benefit plans, the actuarial valuation is conducted by an independent actuary on the annual balance sheet date, and the cost of providing benefits is determined using the expected cumulative benefit unit method. The employee benefits cost arising from the Company's defined benefit plan includes the following components:

- ① Service cost, including current service cost, past service cost, and any gain or loss on settlement. In particular, the current service cost refers to the increase in the present value of obligations of defined benefit plans arising from the service provided by staff in the current period; the past service cost refers to the increase or decrease in the present value of obligations of defined benefit plans related to the service of the staff in the previous period arising from the revision of defined benefit plans.
- ② Net interest on net liabilities or net assets of defined benefit plans, including interest income from the assets under the plans, interest expense arising from the obligations of defined benefit plans, and interest affected by asset caps.
- ③ Change in remeasurements of the net liabilities or net assets of defined benefit plans.

Unless other accounting standards require or allow employee benefit costs to be included in asset costs, the above item ① and ② will be recognized in the current profit and loss. Item ③ will be recognized in other comprehensive income and will not be transferred back to profit or loss in the subsequent accounting period. When the original defined benefit plan is terminated, all the part originally recognized in other comprehensive income will be transferred to retained profit within the scope of equity.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Employee benefits (continued)

(4) Termination benefits

When the Company provides termination benefits to employees, employee benefits liabilities arising from termination benefits are recognized in profit or loss for the current period at the earlier of the following dates: when the Company cannot revoke unilaterally compensation for dismissal due to the cancellation of labour relationship plans and employee redundant proposals; the Company recognizes cost and expenses related to payment of compensation for dismissal and restructuring.

For the early retirement plans, economic compensations before the actual retirement date were classified as termination benefits. During the period from the date of cease of render of services to the actual retirement date, relevant wages and contribution to social insurance for the employees proposed to be paid are recognized in profit or loss on a one-off basis. Economic compensation after the official retirement date, such as normal pension, is accounted for as post-employment benefits.

23. Estimated liabilities

Obligations pertinent to the contingencies which satisfy the following conditions are recognized by the Company as estimated liabilities:

- (1) the obligation is a current obligation borne by the Company;
- (2) It is likely that an outflow of economic benefits from the Company will be resulted from the performance of the obligation; and
- (3) the amount of the obligation can be reliably measured.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Estimated liabilities (continued)

Estimated liabilities of the Company are initially measured as the best estimate of expenses required for the performance of the relevant present obligations. The Company has had a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. If the time value of money is significant, the best estimate shall be determined after discounting the relevant future outflow of cash. If there is a successive range of the required expenditure, and the likelihood of occurrence of various results within the range is the same, the best estimate is determined by the intermediate value. In other cases, the best estimate is handled as follows:

- Where the contingency is related to individual item, the best estimate should be determined as the most likely amount.
- Where the contingency is related to a number of items, the best estimate should be calculated and determined according to the various possible results and the relevant probabilities.

The Company reviews the book value of the expected liabilities on the balance sheet date, and adjust the book value to reflect the current best estimate.

If all or some expenses incurred for settlement of recognized provisions are expected to be borne by the third party, the compensation amount shall, on a recoverable basis, be recognized as asset separately, and compensation amount recognized shall not be more than the book value of provisions.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Revenue

(1) General principles

When the Company has implemented the performance obligation in the contract, namely, when the customer obtains the right to control relevant goods or services, revenues will be recognized.

Where a contract has two or more performance obligations, the Company allocates the transaction price to each performance obligation based on the percentage of respective unit price of goods or services guaranteed by each performance obligation, and recognizes as revenue based on the transaction price that is allocated to each performance obligation.

When one of the following conditions is satisfied, the Company is considered to have fulfilled an obligation within a certain period of time. Otherwise, the Company is considered to have fulfilled an obligation at a certain point in time:

- ① At the same time when the Company fulfills the obligation, the customer immediately obtains and consumes the economic benefits brought about by the Company's performance.
- ② The customers can control the goods under construction in the course of the Company's performance.
- ③ Goods produced in the course of the Company's performance are irreplaceable. In addition, during the entire contract period, the Company has the right to collect the payments for the cumulatively completed parts of performance.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Revenue (continued)

(1) General principles (continued)

For performance obligations performed within a certain period, the Company recognizes revenue by measuring the progress towards completion of that performance obligation within that certain period. When the progress of performance cannot be reasonably determined, if the costs incurred by the Company are expected to be compensated, the revenue shall be recognized at the amount of costs incurred until the progress of performance can be reasonably determined.

For performance obligation performed at a point of time, the Company recognizes revenue at the point of time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Company considers the following indications:

- ① The Company has the current right to receive payment for the goods, which is when the customer has the current payment obligations for the goods.
- ② The Company has transferred the legal title of the goods to the customer, which is when the client possesses the legal title of the goods.
- ③ The Company has transferred the physical possession of goods to the customer, which is when the customer obtains physical possession of the goods.
- ④ The Company has transferred all of the substantial risks and rewards of ownership of the goods to the customer, which is when the customer obtain all of the substantial risks and rewards of ownership of the goods to the customer.
- ⑤ The customer has accepted the goods or services.
- ⑥ Other information indicates that the customer has obtained control of the goods.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Revenue (continued)

(2) *Specific methods*

The Company's revenues are mainly derived from the following types of business: sales of mechanical equipment, maintenance of large railway track maintenance machinery, accessories sales, railway line maintenance services and mechanical design services.

Sales of mechanical equipment

For the sales of large railway track maintenance machinery by the Company, the Company recognizes revenue at the time when the control of the good is transferred. The quality assurance obligations related to the sales of machine provided by the Company cannot be purchased separately, aiming to guarantee that the goods sold meet the established standards, the Company therefore accounts for it in accordance with the Accounting Standards for Business Enterprises No. 13 Contingencies.

Maintenance of large railway track maintenance machinery

The revenue from the maintenance of large railway track maintenance machinery of the Company is mainly derived from the maintenance and overhaul of large railway track maintenance machinery. For the maintenance of large railway track maintenance machinery, the Company recognizes revenue when all services are provided to customers and recognized by customers. The quality assurance obligations related to the maintenance of large railway track maintenance machinery provided by the Company cannot be purchased separately, aiming to guarantee that the services rendered meet the established standards, the Company therefore accounts for it in accordance with the Accounting Standards for Business Enterprises No. 13 Contingencies.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Revenue (continued)

(2) *Specific methods (continued)*

Accessories sales

The Company's revenue from the sales of accessories is mainly derived from the sales of accessories for large railway track maintenance machinery. For the sales of accessories for large railway track maintenance machinery, the Company recognizes revenue when the control of the goods is transferred, i.e., when the accessories are delivered to customers.

Railway line maintenance services

Revenue from railway line maintenance services is mainly derived from maintenance and construction services for railway lines. For railway line maintenance services, the Company adopts the input method to determine the progress of contract performance and recognizes revenue over time.

Mechanical design services

Revenue from mechanical design services is mainly derived from design services for railway vehicles. For mechanical design services, the Company adopts the output method to determine the progress of contract performance and recognizes revenue over time.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs (e.g., sales commissions, etc.) that the Company incurs to obtain a contract with a customer. The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if it is expected to recover those costs. Other expenses incurred by the Company for obtaining the contract, except for the incremental costs expected to be recovered, are recognized in the current profit and loss when incurred.

If the costs of the Company to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- ① the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Company entered into the contract;
- ② the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future;
- ③ the costs are expected to be recovered.

Assets recognized for the costs of obtaining a contract and the costs to fulfil a contract (the “**assets related to contract costs**”) are amortised on a systematic basis that is consistent with revenue recognized for the goods or services to which the assets relate and recognized in profit or loss for the period. If the amortization period is less than one year, the costs will be included into the current profit or loss when it incurs.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Contract costs (continued)

The Company makes impairment provision and recognizes an impairment loss on the asset for the exceeding part to the extent that the carrying amount of an asset related to contract costs exceeds:

- ① remaining amount of consideration that the Company expects to receive in exchange for the goods to which the asset relates;
- ② the costs that relate directly to providing those goods that have not yet been recognized as expenses.

26. Government grants

Government grants are recognized when the conditions attached to the government grants are met and the grant can be received.

Government grants in respect of monetary assets are measured at the amount received or receivable. Government grants for non-monetary assets are measured at fair value or, if the fair value cannot be reliably obtained, at the nominal amount of RMB1.

Asset-related government grants are government grants obtained by the Company for the purpose of acquiring or otherwise forming longterm assets; otherwise, they are treated as revenue-related government grants.

For government grants that do not have a specific target in government documents and are able to form long-term assets, the portion of government grants that corresponds to the value of the assets is recognized as asset-related government grants, and the remaining portion is recognized as revenue-related government grants; if it is difficult to distinguish between the two types of government grants, the entire amount of government grants is recognized as revenue-related government grants.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Government grants (continued)

Government grants related to assets are offset against the carrying amount of the related asset or recognized as deferred income and recognized in profit or loss on a rational and systematic basis over the useful lives of the related assets. Government grants related to revenues are recognized in profit or loss or offset against related expenses when they are used to compensate for costs or losses that have been incurred, and recognized in deferred income when they are used to compensate for costs or losses that will be incurred in future periods, and are recognized in profit or loss or offset against related expenses in the period in which the costs or losses are recognized. Government grants that are measured at nominal amounts are recognized directly in profit or loss. The Company applies a consistent approach to the same or similar government grants.

Government grants related to ordinary activities are recognized in other income or offset against related costs and expenses based on the nature of the economic activity. Government grants that are not related to ordinary activities are included in non-operating income or offset against non-operating expenses.

When government grants are to be refunded, the carrying amount of the asset is adjusted if the initial recognition of the grant reduces the carrying amount of the asset; if there is a deferred revenue balance, the book balance of deferred revenue is deducted, and the excess is credited to profit or loss for the current period; in other cases, the excess is credited to profit or loss directly for the current period.

27. Deferred tax assets and deferred tax liabilities

Income tax comprises current income tax expense and deferred income tax expense, which are included in profit or loss for the current period as income tax expenses, except for deferred tax related to transactions or events that are directly recognized in owners' equity which are recognized in owners' equity, and deferred tax arising from a business combination, which is adjusted against the carrying amount of goodwill.

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base at the balance sheet date of the Company shall be recognized as deferred income tax using the balance sheet liability method.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Deferred tax assets and deferred tax liabilities (continued)

All the taxable temporary differences are recognized as deferred income tax liabilities except for those incurred in the following transactions:

- (1) The initial recognition of goodwill, and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs (other than single transactions where the initial recognition of assets and liabilities results in the creation of equivalent taxable temporary differences and deductible temporary differences);
- (2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Company recognizes a deferred income tax asset for the carry forward of deductible temporary differences, deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised, except for those incurred in the following transactions:

- (1) The transaction is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs (other than single transactions where the initial recognition of assets and liabilities results in the creation of equivalent taxable temporary differences and deductible temporary differences);
- (2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred income tax asset is recognized when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, and it is probable that taxable profits will be available in the future, against which the temporary difference can be utilised.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Deferred tax assets and deferred tax liabilities (continued)

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their tax effect is reflected accordingly.

At the balance sheet date, the Company reviews the book value of a deferred income tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilised, the book value of the deferred tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are presented on a net basis upon offsetting when both of the following conditions are met:

- (1) The taxable entity within the Company has the legal right to settle current income tax assets and current income tax liabilities on a net basis;
- (2) the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxing authority on the same taxable entity within the Company.

28. Lease

(1) Identification of leases

On the beginning date of the contract, the Company (as a lessee or lessor) assesses whether the customer in the contract has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use and has the right to direct the use of the identified asset throughout the period of use. If a party of the contract conveys the right to control the use of an identified asset and multiple identified assets for a period of time in exchange for consideration, the Company identifies such contract is, or contains, a lease.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Lease (continued)

(2) *The Company as lessee*

On the beginning date of the lease, the Company recognizes right-of-use assets and lease liabilities for all leases, except for short-term lease and low-value asset lease with simplified approach.

The accounting policy for right-of-use assets is set out in Note III-29.

The lease liability is initially measured at the present value of the lease payments that are not paid at the beginning date of the lease using the interest rate implicit in the lease. Where the interest rate implicit in the lease cannot be determined, the incremental borrowing rate is used as the discount rate. Lease payments include fixed payments and in-substance fixed payments, less any lease incentives receivable; variable lease payments that are based on an index or a rate; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments for terminating the lease, if the lease term reflects the lessee exercising that option of terminating; and amounts expected to be payable by the lessee under residual value guarantees. Subsequently, the interest expense on the lease liability for each period during the lease term is calculated using a constant periodic rate of interest and is recognized in profit or loss for the current period. Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period in which they actually arise.

Short-term lease

Short-term leases refer to leases with a lease term of less than 12 months from the commencement date, except for those with a purchase option.

Lease payments on short-term leases are recognized in the cost of related assets or current profit or loss on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Lease (continued)

(2) The Company as lessee (continued)

Low-value asset lease

A low-value asset lease is a lease that the value of a single leased asset is relatively low when it is a new asset. The Company treats a single leased asset with a value of no more than RMB100,000.00 when it is a new asset as a low-value asset lease.

Lease payments on low-value asset leases are recognized on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period.

Lease modification

The Company accounts for a lease modification as a separate lease when the modification occurs and the following conditions are met: ① the lease modification expands the scope of lease by adding the right to use one or more of the leased assets; ② the increase in consideration is equivalent to the separate price for the expanded scope of lease adjusted for that contractual situation.

Where a lease modification is not accounted for as a separate lease, at the effective date of the lease modification, the Company reallocates the consideration of the modified contract, redetermines the lease term and remeasures the lease liability based on the present value of the lease payments after the modification and the revised discount rate.

If a lease modification results in a reduction in the scope of the lease or a shortening of the lease term, the Company reduces the book value of the right-of-use asset accordingly and includes in the profit or loss for the period the gain or loss associated with the partial or complete termination of the lease.

Where other lease modifications result in a remeasurement of the lease liability, the Company adjusts the book value of the right-of-use asset accordingly.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Lease (continued)

(3) The Company as lessor

When the Company is a lessor, a lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of asset ownership to the lessee. All leases other than financial leases are classified as operating leases.

Finance leases

Under finance leases, the Company accounts for finance lease receivables at the beginning of the lease term at the net lease investment, which is the sum of the unsecured residual value and the present value of the lease receipts outstanding at the commencement date of the lease, discounted at the interest rate implicit in the lease. The Company as lessor calculates and recognizes interest income for each period of the lease term based on a fixed periodic interest rate. Variable lease payments acquired by the Company as lessor that are not included in the net measurement of lease investments are included in profit or loss for the period when they are actually incurred.

Derecognition and impairment of finance lease receivables are accounted for in accordance with the requirements under the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments and the Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets.

Operating lease

Lease payments under operating leases are recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in relation to operating leases are capitalised and amortised over the lease term on the same basis as rental income and recognized in profit or loss for the current period. The variable lease payments obtained in relation to operating leases that are not included in the lease payments are recognized in profit or loss in the period in which they actually incurred.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Lease (continued)

(3) *The Company as lessor (continued)*

Lease modification

The Company accounts for a modification in an operating lease as a new lease from the effective date of the modification and the amount of lease receipts received in advance or receivable in respect of the lease prior to the modification is treated as a receipt under the new lease.

The Company accounts for a modification in a finance lease as a separate lease when the change occurs and the following conditions are met: ① the modification expands the scope of lease by adding the right to use one or more of the leased assets; ② the increase in consideration is equivalent to the separate price for the expanded scope of lease adjusted for that contractual situation.

Where a finance lease is modified and not accounted for as a separate lease, the Company accounts for the modified lease in the following circumstances: ① If the modification takes effect on the lease commencement date, the lease will be classified as an operating lease, the Company will account for it as a new lease from the effective date of the lease modification, and use the net lease investment before the effective date of the lease modification; ② If the modification takes effect on the lease commencement date, the lease will be classified as a finance lease, and the Company will conduct accounting treatment in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments on modifying or renegotiating contracts.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

29. Right-of-use assets

(1) *Recognition conditions of right-of-use assets*

The right-of-use assets are defined as the right to use the underlying assets in the lease term for the Company as a lessee.

On the commencement date of the lease term, right-of-use assets are initially measured at cost. The cost includes: the amount of the initial measurement of the lease liability; the lease payment made on or before the commencement date of the lease term, less any lease incentive received if any; the initial direct costs incurred by the Company as a lessee; an estimate of costs to be incurred by the Company as a lessee in dismantling and removing a leased asset, restoring the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease. The Company as a lessee recognizes and measures the costs of demolition and restoration according to "Accounting Standards for Business Enterprises No.13 – Contingencies", and subsequently adjusts for any remeasurement of lease liability.

(2) *Depreciation method of right-of-use assets*

The Company calculates depreciation on a straight-line basis. Right-of-use assets in which the Company as a lessee is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated over the remaining useful life. Otherwise, right-of-use assets are depreciated over the shorter of the lease term and its remaining useful life.

(3) Methods of impairment testing and provision for impairment for right-of-use assets are set forth in Note III-19.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Segment reporting

The Company determines operating segments based on its internal organizational structure, management requirements and internal reporting system, and determines reportable segments and disclose segment information by operating segments.

The operating segments refer to the Company's components that simultaneously meet the following conditions: (1) the components can generate income and incur expenses in daily activities; (2) the Management of the Company can regularly evaluate the operating results of this component to decide the allocatable resources and assess its performance; (3) The Company can obtain relevant accounting information such as the financial positions, operating results and cash flows of this component. If two or more operating segments have similar economic characteristics and meet certain conditions, they can be merged into one operating segment.

31. Safety expense and maintenance expense

The Group provided for safety expense and maintenance expense according to the relevant regulations of the Notice on Printing and Distributing the "Administrative Measures for the Provision and Utilization of Safety production expenses" (Cai Zi [2022] No. 136), issued by the Ministry of Finance.

Provisions for safety production expenses and maintenance expense are included in the cost of related products or profit or loss of the current period and included in the "special reserve" account correspondingly.

When the provisions are utilized within the prescribed scope, if the expenditures are revenue in nature, those expenditures are offset directly against the special reserve; if the fixed assets are formed, the expenditures will be first accumulated in "construction in progress", and transferred to fixed assets when the relevant safety project is completed and ready for its intended use. At the same time, the special reserve is reduced according to the cost of the fixed asset formed and the accumulated depreciation of the same amount is provided. The fixed asset will no longer be depreciated in future periods.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

32. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

① Interpretation No. 17 to the Accounting Standards for Business Enterprises

The Ministry of Finance promulgated the Interpretation No. 17 to the Accounting Standards for Business Enterprises (Cai Kuai [2023] No. 21, hereinafter referred to as the “**Interpretation No. 17**”) in November 2023.

Division of current liabilities and non-current liabilities

Interpretation No. 17 provides that, for liabilities arising from corporate loan arrangements, the right of an enterprise to defer the settlement of such liabilities to more than one year after the balance sheet date may depend on whether the enterprise complies with the conditions stipulated in the loan arrangement (the “**covenant conditions**”). Covenant conditions that the enterprise should comply with on or before the balance sheet date, even if compliance with such conditions is assessed only after the balance sheet date (e.g., some covenant conditions require an assessment based on the financial position as of the balance sheet date conducted after that date), affect the judgment of whether this right exists on the balance sheet date, and consequently affect the liquidity classification of the liability as of the balance sheet date. Covenant conditions that the enterprise is required to comply with after the balance sheet date (e.g., some covenant conditions require an assessment based on the financial position six months after the balance sheet date) do not affect the judgment of whether this right exists on the balance sheet date and are irrelevant to the liquidity classification of the liability as of the balance sheet date.

If the term of a liability result in the enterprise settling it by delivering its own equity instruments at the option of the counterparty, and if, according to the standards, this option is classified as an equity instrument and is separately recognized as an equity component of a compound financial instrument, then such term does not affect the liquidity classification of the liability.

The adoption of Interpretation No. 17 did not have a material impact on the financial position and results of operations of the Company.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

32. Changes in significant accounting policies and accounting estimates (continued)

(1) *Changes in significant accounting policies (continued)*

② *Interpretation No. 18 to the Accounting Standards for Business Enterprises*

The Ministry of Finance promulgated the Interpretation No. 18 to the Accounting Standards for Business Enterprises (Cai Kuai [2024] No. 24, hereinafter referred to as the “**Interpretation No. 18**”) on 31 December 2024.

Accounting treatment of quality guarantees that do not constitute separate performance obligations

Interpretation No. 18 provides that, when accounting for estimated liabilities arising from quality guarantees that do not constitute separate performance obligations, in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No. 13 Contingencies, the enterprise shall debit accounts such as “main operating costs” and “other operating costs” based on the determined estimated liability amount, credit the account “estimated liabilities”, and correspondingly disclose in the income statement under “operating costs” and in the balance sheet under items such as “other current liabilities”, “non-current liabilities due within one year” and “estimated liabilities”.

The Company implemented this provision with retrospective adjustments from the date of issuance of Interpretation No. 18.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

32. Changes in significant accounting policies and accounting estimates (continued)

(1) Changes in significant accounting policies (continued)

② Interpretation No. 18 to the Accounting Standards for Business Enterprises (Continued)

Accounting treatment of quality guarantees that do not constitute separate performance obligations (Continued)

The effect of implementing the above accounting policy on the consolidated income statement for the year 2024 is set out below:

Consolidated income statement items (2024)	Affected amount
Selling expenses	-38,715,878.44
Operating costs	38,715,878.44

The effect of implementing the above accounting policy on the consolidated income statement for the year 2023 is set out below:

Consolidated income statement items (2023)	Before adjustment	Adjustment amount	After adjustment
Selling expenses	191,459,653.85	-61,051,433.12	130,408,220.73
Operating costs	2,613,101,731.90	61,051,433.12	2,674,153,165.02

(2) Significant changes in accounting estimates

There were no significant changes in accounting estimates during the period.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

IV. TAXES

1. Main taxes and tax rates

Tax types	Tax basis	Tax rate
Value-added tax	Taxable value-added (tax payable is calculated by multiplying the taxable sales by the applicable tax rate less current allowable input tax credits)	6%, 9% and 13%
City maintenance and construction tax	Based on value-added tax paid	5% and 7%
Education surcharge	Based on value-added tax paid	3%
Local education surcharge	Based on value-added tax paid	2%
Enterprise income tax	Based on taxable profits	15% and 25%

2. Tax concession and approvals

(1) Deduction of research and development expenses incurred

Pursuant to the Announcement on Further Improving the Policy on Pre-tax Deduction of Research and Development Expenses (Announcement No. 13 of 2021 of the Ministry of Finance and the State Administration of Taxation), starting from 1 January 2021, the Company and its subsidiaries are entitled to a pre-tax deduction of 100% of the actual amount incurred for research and development expenses that meet the aforesaid requirements when calculating taxable income.

(2) Preferential policy for high and new technology enterprises

The Company applied to Yunnan Science and Technology Department, Yunnan Finance Department and Yunnan Taxation Bureau of the State Administration of Taxation in 2022, and was recognized as a high-tech enterprise. From 2022 to 2024, the Company paid enterprise income tax at the preferential rate of 15%.

The Company's subsidiary, Beijing Ruiweitong Engineering Machinery Co., Ltd., applied to the Beijing Science and Technology Commission, Beijing Municipal Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration in 2024 and was finally recognized as a high-tech enterprise, and is entitled to a preferential enterprise income tax rate of 15% from 2024 to 2026.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Item	Closing balance	Closing balance for the previous year
Cash on hand	20,998.14	10,104.88
Bank deposits	1,714,724,026.31	1,428,289,526.81
Deposit in finance company	28,907,766.21	29,297,006.56
Accrued interest on deposits	3,303,994.46	
Total	1,746,956,785.12	1,457,596,638.25
Including: Total amount of deposits overseas	59,821,004.92	66,144,144.11

The Company's cash and bank balances at the end of the period included time deposits of over three months of RMB560,000,000.00 and accrued interest on the deposits of RMB3,303,994.46.

The Company's restricted cash at the end of the period included security deposits of RMB36,597,409.78.

2. Bills receivable

Category	Closing balance			Closing balance for the previous year		
	Balance of carrying amount	Bad debt provision	Book value	Balance of carrying amount	Bad debt provision	Book value
Bank acceptance bills	299,970.00	2,999.70	296,970.30	8,047,164.00	50,471.64	7,996,692.36
Commercial acceptance bills	351,685,153.65	1,737,905.77	349,947,247.88	170,920,754.86	582,003.69	170,338,751.17
Total	351,985,123.65	1,740,905.47	350,244,218.18	178,967,918.86	632,475.33	178,335,443.53

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Bills receivable (continued)

(1) Closing bills receivable pledged

Category	Closing amount pledged
Commercial acceptance bill	2,571,995.73

Pledged bills are guarantees provided for the bills pool to issue banker's acceptance, and the Company has no other bills receivable with restricted ownership at the end of the period.

The Company has no bills transferred to accounts receivable due to non-performance of the drawer.

(2) Bills receivable which were endorsed and discounted by the Company at the end of the period but were not due

Category	Derecognized amount at the end of the period	Not-yet derecognized amount at the end of the period
Commercial acceptance bill		54,573,280.19

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Bills receivable (continued)

(3) Classified by bad debt provision method

Category	Balance of carrying amount		Closing balance Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Bad debt provision on group	351,985,123.65	100.00	1,740,905.47	0.49	350,244,218.18
Including:					
Commercial acceptance bills	351,685,153.65	99.91	1,737,905.77	0.49	349,947,247.88
Bank acceptance bills	299,970.00	0.09	2,999.70	1.00	296,970.30
Total	351,985,123.65	100.00	1,740,905.47	0.49	350,244,218.18

Continued:

Category	Balance of carrying amount		Closing balance for the previous year Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Bad debt provision on group	178,967,918.86	100.00	632,475.33	0.35	178,335,443.53
Including:					
Commercial acceptance bills	170,920,754.86	95.50	582,003.69	0.34	170,338,751.17
Bank acceptance bills	8,047,164.00	4.50	50,471.64	0.63	7,996,692.36
Total	178,967,918.86	100.00	632,475.33	0.35	178,335,443.53

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Bills receivable (continued)

(4) Accrued, recovered or reversed provision for bad debts in the period

	Amount of bad debt provision
Opening balance	632,475.33
Provision during the period	1,797,712.75
Recovery or reversal during the period	689,282.61
Closing balance	1,740,905.47

3. Accounts receivable

(1) Accounts receivable disclosed by ageing at revenue recognition date

Ageing	Closing balance	Closing balance for the previous year
Within 1 year	1,402,167,063.58	1,745,381,176.36
1-2 years	173,316,826.23	357,655,959.64
2-3 years	150,621,280.27	27,200,293.10
3-4 years	20,571,027.56	35,129,392.32
4-5 years	14,990,833.55	22,494,987.53
Over 5 years	45,365,601.65	58,415,297.88
Sub-total	1,807,032,632.84	2,246,277,106.83
Less: Bad debt provision	77,813,866.11	99,449,027.55
Total	1,729,218,766.73	2,146,828,079.28

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts receivable (continued)

(2) Classification by basis of bad debt provisions made

Category	Balance of carrying amount		Closing balance		Book value
	Amount	Proportion (%)	Bad debt provision Amount	Expected credit loss rate (%)	
Bad debt provision on individual basis	10,190,312.00	0.56	10,190,312.00	100.00	
Bad debt provision on group basis	1,796,842,320.84	99.44	67,623,554.11	3.76	1,729,218,766.73
Including:					
Related party portfolio	249,472,003.35	13.81	257,182.95	0.10	249,214,820.40
Other external entities	1,547,370,317.49	85.63	67,366,371.16	4.35	1,480,003,946.33
Total	1,807,032,632.84	100.00	77,813,866.11	4.31	1,729,218,766.73

Continued:

Category	Balance of carrying amount		Closing balance for the previous year		Book value
	Amount	Proportion (%)	Bad debt provision Amount	Expected credit loss rate (%)	
Bad debt provision on individual basis	31,035,713.00	1.38	31,035,713.00	100.00	
Bad debt provision on group basis	2,215,241,393.83	98.62	68,413,314.55	3.09	2,146,828,079.28
Including:					
Related party portfolio	484,862,198.74	21.59	510,560.24	0.11	484,351,638.50
Other external entities portfolio	1,730,379,195.09	77.03	67,902,754.31	3.92	1,662,476,440.78
Total	2,246,277,106.83	100.00	99,449,027.55	4.43	2,146,828,079.28

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts receivable (continued)

(2) Classification by basis of bad debt provisions made (continued)

Accounts receivable with bad debt provision on individual basis

Name	Balance of carrying amount	Bad debt provision	Closing balance Expected credit loss rate (%)	Basis for provision
Entity 1	7,160,000.00	7,160,000.00	100.00	Long ageing
Entity 2	2,174,716.62	2,174,716.62	100.00	Relatively high expected credit risks
Entity 3	650,111.33	650,111.33	100.00	Relatively high expected credit risks
Entity 4	173,243.95	173,243.95	100.00	Relatively high expected credit risks
Entity 5	32,240.10	32,240.10	100.00	Relatively high expected credit risks
Total	10,190,312.00	10,190,312.00	100.00	/

Continued:

Name	Balance of carrying amount	Closing balance for the previous year Bad debt provision	Expected credit loss rate (%)	Basis for provision
Entity 1	28,640,000.00	28,640,000.00	100.00	Long ageing
Entity 2	2,174,716.62	2,174,716.62	100.00	Relatively high expected credit risks
Entity 4	180,921.22	180,921.22	100.00	Relatively high expected credit risks
Entity 5	33,668.81	33,668.81	100.00	Relatively high expected credit risks
Entity 6	6,406.35	6,406.35	100.00	Relatively high expected credit risks
Total	31,035,713.00	31,035,713.00	100.00	/

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts receivable (continued)

(3) Accrued, recovered or reversed provision for bad debts in the period

	Amount of bad debt provision
Opening balance	99,449,027.55
Provision during the period	24,438,317.90
Recovery or reversal during the period	46,073,479.34
Closing balance	77,813,866.11

(4) Top five debtors of accounts receivable and contract assets in terms of closing balance

Name	Closing balance of accounts receivable	Closing balance of contract assets	Closing balance of accounts receivable and contract assets	Proportion in the total amount of closing balance of accounts receivable and contract assets (%)	Closing balance of bad debt provision for accounts receivable and impairment provision for contract assets
First	231,324,676.66		231,324,676.66	12.69	3,720,458.56
Second	181,566,292.15		181,566,292.15	9.96	1,031,831.70
Third	77,969,763.85		77,969,763.85	4.28	389,848.82
Fourth	68,662,239.00		68,662,239.00	3.77	68,662.24
Fifth	65,317,933.31		65,317,933.31	3.58	326,589.66
Total	624,840,904.97		624,840,904.97	34.28	5,537,390.98

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Receivables financing

Item	Closing balance	Closing balance for the previous year
Bills receivable	65,473,809.90	105,186,685.50
Less: Other comprehensive income – fair value changes	59,051.63	162,346.57
Closing fair value	65,414,758.27	105,024,338.93

The Company discounts and endorses certain bank acceptance bills based on its daily fund management needs; therefore, bank acceptance bills are classified as financial assets at fair value through other comprehensive income.

The Company has no bank acceptance bills with bad debt provision on individual basis. At the end of the period, the Company considers that the bank acceptance bills held by the Company are not exposed to significant credit risk and will not incur significant losses due to bank defaults.

Bills receivable which were endorsed and discounted by the Company at the end of the period but were not due

Category	Derecognized amount at the end of the period	Not-yet derecognized amount at the end of the period
Bank acceptance bills	56,158,849.79	

The bank acceptance bills used for endorsement are derecognized as they are accepted by banks with high credit ratings, the credit risk and the risk of deferred payment are minimal, and the interest rate risk associated with the bills has been transferred to the banks, so it can be determined that the major risks and rewards of ownership of the bills have been transferred.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Prepayments by ageing at date of transaction

Ageing	Closing balance		Closing balance for the previous year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	63,854,663.30	97.72	48,061,482.12	95.86
1-2 years	103,229.65	0.16	544,890.69	1.09
2-3 years	439,317.63	0.67	402,437.54	0.80
Over 3 years	944,637.08	1.45	1,130,588.20	2.25
Total	65,341,847.66	100.00	50,139,398.55	100.00

6. Other receivables

Item	Closing balance	Closing balance for the previous year
Other receivables	30,297,749.85	75,027,927.52

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

Other receivables

① *Disclosure by ageing at date of transaction*

Ageing	Closing balance	Closing balance for the previous year
Within 1 year	24,262,709.11	76,321,178.76
1-2 years	15,234,270.82	44,660,900.85
2-3 years	39,683,187.55	3,129,009.73
Over 3 years	2,338,855.08	2,961,070.81
Sub-total	81,519,022.56	127,072,160.15
Less: Bad debt provision	51,221,272.71	52,044,232.63
Total	30,297,749.85	75,027,927.52

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

Other receivables (continued)

② Bad debt provision

Provision for bad debt in the first stage at the end of the period

Category	Balance of carrying amount	Expected credit loss rate over the next 12 months (%)	Bad debt provision	Book value
Bad debt provision on individual basis				
Bad debt provision on group basis	32,700,415.57	7.35	2,402,665.72	30,297,749.85
Internal related party portfolio	224,000.00	0.50	1,120.00	222,880.00
Other external entities	32,476,415.57	7.39	2,401,545.72	30,074,869.85
Total	32,700,415.57	7.35	2,402,665.72	30,297,749.85

At the end of the period, the Company did not have any other receivables in the second stage.

Provision for bad debt in the third stage at the end of the period

Name	Balance of carrying amount	Expected credit loss rate over the lifetime (%)	Bad debt provision	Book value	Basis of classification
Entity 7	48,815,156.57	100.00	48,815,156.57		High risk of expected recovery
Entity 8	3,450.42	100.00	3,450.42		High risk of expected recovery
Total	48,818,606.99	100.00	48,818,606.99		

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

Other receivables (continued)

② Bad debt provision (continued)

Provision for bad debt in the first stage at the end of last year

Category	Balance of carrying amount	Expected credit loss rate over the next 12 months (%)	Bad debt provision	Book value
Bad debt provision on individual basis				
Bad debt provision on group basis	78,257,003.58	4.13	3,229,076.06	75,027,927.52
Internal related party portfolio	1,321,000.00	3.91	51,605.00	1,269,395.00
Other external entities	76,936,003.58	4.13	3,177,471.06	73,758,532.52
Total	78,257,003.58	4.13	3,229,076.06	75,027,927.52

At the end of last year, the Company did not have any other receivables in the second stage.

Provision for bad debt in the third stage at the end of last year

Name	Balance of carrying amount	Expected credit loss rate over the lifetime (%)	Bad debt provision	Book value	Basis of classification
Entity 7	48,815,156.57	100.00	48,815,156.57		High risk of expected recovery

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

Other receivables (continued)

③ *Accrued, recovered or reversed provision for bad debts in the period*

Bad debt provision	First stage Expected credit loss in the next 12 months	Second stage Lifetime expected credit loss (not credit-impaired)	Third Stage Lifetime expected credit loss (credit-impaired)	Total
Opening balance	3,229,076.06		48,815,156.57	52,044,232.63
Opening balance in the current period	3,229,076.06		48,815,156.57	52,044,232.63
-transfer to the third stage	-3,450.42		3,450.42	
Provision during the period	1,386,849.06			1,386,849.06
Reversal during the period	2,209,808.98			2,209,808.98
Closing balance	2,402,665.72		48,818,606.99	51,221,272.71

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

Other receivables (continued)

④ Top five debtors of other receivables in terms of closing balance

Name	Nature	Closing balance of other receivables	Ageing	Proportion in the total amount of closing balance of other receivables (%)	Closing balance of bad debt provision
First	Compensation	48,815,156.57	1-3 years	59.88	48,815,156.57
Second	Deposit	3,950,000.00	Within 1 year; over 3 years	4.85	20,045.00
Third	Deposit	2,098,671.06	Within 2 years	2.57	28,515.37
Fourth	Deposit	1,990,000.00	Within 1 year	2.44	9,950.00
Fifth	Deposit	1,684,442.00	Within 2 years	2.07	18,066.30
Total		58,538,269.63		71.81	48,891,733.24

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Inventories

(1) Classification of inventories

Item	Closing balance			Closing balance for the previous year		
	Balance of carrying amount	Provision for depreciation	Book value	Balance of carrying amount	Provision for depreciation	Book value
Raw materials	568,879,249.87	25,999,406.03	542,879,843.84	788,919,257.68	24,736,991.38	764,182,266.30
Goods in process	980,316,587.14		980,316,587.14	980,316,587.14		1,201,654,084.30
Goods in transit	21,821,702.50		21,821,702.50	21,821,702.50		32,831,056.91
Finished products	1,408,116,118.65	75,511,710.81	1,332,604,407.84	877,153,709.77	93,393,223.34	783,760,486.43
Total	2,979,133,658.16	101,511,116.84	2,877,622,541.32	2,900,558,108.66	118,130,214.72	2,782,427,893.94

(2) Provision for inventory depreciation

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Provision accrued	Others	Reversal or write-off	Others	
Raw materials	24,736,991.38	1,621,436.73		359,022.08		25,999,406.03
Finished products	93,393,223.34	5,193,252.67		23,074,765.20		75,511,710.81
Total	118,130,214.72	6,814,689.40		23,433,787.28		101,511,116.84

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Contract assets

Item	Balance of carrying amount	Closing balance		Book value	Closing balance for the previous year		
		Provision for impairment			Balance of carrying amount	Provision for impairment	Book value
Quality guarantee deposit	2,378,375.62	11,891.88		2,366,483.74	3,822,883.61	19,864.42	3,803,019.19
Construction projects	13,120,130.30	65,600.66		13,054,529.64	2,064,699.39	20,369.37	2,044,330.02
Total	15,498,505.92	77,492.54		15,421,013.38	5,887,583.00	40,233.79	5,847,349.21

(1) Provision for impairment of contract assets

Category	Closing balance					Closing balance for the previous year				
	Balance of carrying amount		Provision for impairment		Book value	Balance of carrying amount		Provision for impairment		
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)		Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
					Book value					
Bad debt provision on group basis	15,498,505.92	100.00	77,492.54	0.50	15,421,013.38	5,887,583.00	100.00	40,233.79	0.68	5,847,349.21
Including:										
External entities	15,498,505.92	100.00	77,492.54	0.50	15,421,013.38	5,887,583.00	100.00	40,233.79	0.68	5,847,349.21

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Contract assets (continued)

(2) Accrued, recovered or reversed provision for impairment of contract assets in the period

Item	Closing balance for the previous year	Accrued in current period	Reversal in current period	Charged off/ written off in current period	Closing balance
Quality guarantee deposit	19,864.42		7,972.54		11,891.88
Construction projects	20,369.37	65,323.03	20,091.74		65,600.66
Total	40,233.79	65,323.03	28,064.28		77,492.54

9. Other current assets

Item	Closing balance	Closing balance for the previous year
VAT input to be deducted	7,096,894.71	5,134,168.91
Prepaid taxes	4,783,611.90	1,527,855.78
Total	11,880,506.61	6,662,024.69

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Other equity instrument investments

Item	Closing balance	Closing balance for the previous year
Zhuzhou CRRC Times Electric Co., Ltd.	469,616,000.00	356,034,000.00

As Zhuzhou CRRC Times Electric Co., Ltd. is an investment that the Company plans to hold for a long period of time for strategic purposes, the Company has designated it as a financial asset at fair value through other comprehensive income.

Item	Gains and losses recognized in other comprehensive income for the period	Accumulated gains and losses included in other comprehensive income at the end of the period	Dividend income recognized in the current period	Accumulated gains and losses transferred to retained earnings on derecognition	Reasons for derecognition
Zhuzhou CRRC Times Electric Co., Ltd.	113,582,000.00	416,644,197.19	7,644,000.00		

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Investment property

Item	Housing and buildings
I. Original book value	
1. Opening balance	34,264,265.23
2. Increase in the current period	
3. Decrease in the current period	4,313,871.67
(1) Transfer to own use	4,313,871.67
4. Closing balance	29,950,393.56
II. Accumulated depreciation and accumulated amortization	
1. Opening balance	6,976,410.38
2. Increase in the current period	867,982.15
(1) Provision or amortization	867,982.15
3. Decrease in the current period	1,257,373.93
(1) Transfer to own use	1,257,373.93
4. Closing balance	6,587,018.60
III. Provision for impairment	
1. Opening balance	
2. Increase in the current period	
3. Decrease in the current period	
4. Closing balance	
IV. Book value	
1. Book value of closing balance	23,363,374.96
2. Book value of opening balance	27,287,854.85

12. Fixed assets

Item	Closing balance	Closing balance for the previous year
Fixed assets	1,379,185,618.18	1,483,185,593.49

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Fixed assets (continued)

Fixed assets

Item	Housing and buildings	Engineering equipment	Motor vehicles	Production equipment	Measurement and experimental equipment	Other fixed assets	Total
I. Original book value:							
1. Opening balance	906,328,853.65	935,167,609.63	33,174,452.13	323,834,713.54	166,946,372.97	137,469,055.18	2,502,921,057.10
2. Increase in the current period	4,313,871.67	7,946,442.23	1,194,966.83	16,080,629.67	971,503.43	-3,439,351.46	27,068,062.37
(1) Purchase		120,353.98	1,194,966.83	8,550,799.18	854,512.28	4,207,470.18	14,928,102.45
(2) Other increase	4,313,871.67	7,826,088.25		7,529,830.49	116,991.15	-7,646,821.64	12,139,959.92
3. Decrease in the current period	96,000.00	24,853,355.49	3,807,757.63	6,821,023.05	192,807.74	1,470,046.98	37,240,990.89
(1) Disposal or retirement	96,000.00	69,596.50	3,807,757.63	6,821,023.05	192,807.74	1,470,046.98	12,457,231.90
(2) Other decrease		24,783,758.99					24,783,758.99
4. Closing balance	910,546,725.32	918,260,696.37	30,561,661.33	333,094,320.16	167,725,068.66	132,559,656.74	2,492,748,128.58
II. Accumulated depreciation							
1. Opening balance	299,895,069.94	227,751,210.64	25,540,953.73	263,714,435.16	60,912,985.60	88,773,411.99	966,588,067.06
2. Increase in the current period	25,612,700.29	68,445,743.73	1,570,038.90	9,199,984.38	12,814,227.20	1,276,354.60	118,919,049.10
(1) Provision	24,355,326.36	68,445,743.73	1,570,038.90	9,199,984.38	12,814,227.20	1,276,354.60	117,661,675.17
(2) Other increase	1,257,373.93						1,257,373.93
3. Decrease in the current period	86,831.01	8,055,282.20	3,628,087.10	6,479,971.90	183,167.35	1,403,217.80	19,836,557.36
(1) Disposal or retirement	86,831.01	60,070.80	3,628,087.10	6,479,971.90	183,167.35	1,403,217.80	11,841,345.96
(2) Other decrease		7,995,211.40					7,995,211.40
4. Closing balance	325,420,939.22	288,141,672.17	23,482,905.53	266,434,447.64	73,544,045.45	88,646,548.79	1,065,670,558.80
III. Provision for impairment							
1. Opening balance		53,147,396.55					53,147,396.55
2. Increase in the current period							
3. Decrease in the current period		5,255,444.95					5,255,444.95
(1) Other decrease		5,255,444.95					5,255,444.95
4. Closing balance		47,891,951.60					47,891,951.60
IV. Book value							
1. Book value of closing balance	585,125,786.10	582,227,072.60	7,078,755.80	66,659,872.52	94,181,023.21	43,913,107.95	1,379,185,618.18
2. Book value of opening balance	606,433,783.71	654,269,002.44	7,633,498.40	60,120,278.38	106,033,387.37	48,695,643.19	1,483,185,593.49

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Construction in progress

Item	Closing balance	Closing balance for the previous year
Construction in progress	6,075,838.08	3,561,675.94

14. Right-of-use assets

Item	Housing and buildings	Production equipment	Total
I. Original book value:			
1. Opening balance	18,414,321.43	1,044,597.64	19,458,919.07
2. Increase in the current period	36,976.89	-36,976.89	
(1) Other adjustment	36,976.89	-36,976.89	
3. Decrease in the current period			
4. Closing balance	18,451,298.32	1,007,620.75	19,458,919.07
II. Accumulated depreciation			
1. Opening balance	2,154,543.83	115,663.39	2,270,207.22
2. Increase in the current period	1,843,237.48	102,654.44	1,945,891.92
(1) Provision	1,843,237.48	102,654.44	1,945,891.92
3. Decrease in the current period			
4. Closing balance	3,997,781.31	218,317.83	4,216,099.14
III. Provision for impairment			
1. Opening balance			
2. Increase in the current period			
3. Decrease in the current period			
4. Closing balance			
IV. Book value			
1. Book value of closing balance	14,453,517.01	789,302.92	15,242,819.93
2. Book value of opening balance	16,259,777.60	928,934.25	17,188,711.85

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Intangible assets

Item	Software	Land use rights	Non-patented technology	Others	Total
I. Original book value:					
1. Opening balance	53,083,632.51	441,425,134.23	13,293,607.82	6,868,741.95	514,671,116.51
2. Increase in the current period	777,129.27				777,129.27
(1) Purchase	777,129.27				777,129.27
3. Decrease in the current period					
4. Closing balance	53,860,761.78	441,425,134.23	13,293,607.82	6,868,741.95	515,448,245.78
II. Accumulated amortization					
1. Opening balance	51,996,830.98	116,280,149.08	13,293,607.82	6,868,741.95	188,439,329.83
2. Increase in the current period	1,063,040.78	9,553,206.48			10,616,247.26
(1) Provision	1,063,040.78	9,553,206.48			10,616,247.26
3. Decrease in the current period					
4. Closing balance	53,059,871.76	125,833,355.56	13,293,607.82	6,868,741.95	199,055,577.09
III. Provision for impairment					
1. Opening balance					
2. Increase in the current period					
3. Decrease in the current period					
4. Closing balance					
IV. Book value					
1. Book value of closing balance	800,890.02	315,591,778.67			316,392,668.69
2. Book value of opening balance	1,086,801.53	325,144,985.15			326,231,786.68

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Goodwill

(1) Original book value of goodwill

Name of investee or reason for goodwill	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Goodwill on business combination	Others	Disposal	Others	
Acquisition of CIDEON Company	91,368,175.03					91,368,175.03

(2) Provision for impairment of goodwill

Name of investee or reason for goodwill	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Provision	Others	Disposal	Others	
Acquisition of CIDEON Company	78,879,632.06					78,879,632.06

In February 2016, the Company acquired three companies, namely CE cideon engineering GmbH & Co.KG in Germany, CE cideon engineering Verwaltungs GmbH and CE cideon engineering Schweiz AG in Switzerland (collectively, the “**CIDEON Company**”), resulting in a goodwill of RMB91,368,175.03.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Goodwill (continued)

(2) Provision for impairment of goodwill (continued)

The goodwill acquired in the business combination has been allocated to the mechanical design services asset group, namely the CIDEON Company asset group (including goodwill), for impairment testing. As at 31 December 2024, the Group assessed the recoverable amount of the asset group. The recoverable amount of the asset group was determined based on the present value of the estimated future cash flows of the asset group. The future cash flows were determined on the basis of financial budgets approved by the management for a five-year period. Key assumptions used in estimating future cash flows are:

Forecast period of the mechanical design services asset group: 2025-2029, with a discount rate of 9.61%;

Growth rate in the forecast period: 2%; net profit margin in the forecast period: 3.28%;

and growth rate of operating revenue in the stable period: 0%,

As at 31 December 2024, the CIDEON Company asset group was impaired by RMB78,879,632.06.

17. Long-term deferred expenses

Item	Opening balance	Increase in the current period	Decrease in the current period		Closing balance
			Amortization in the current period	Other decrease	
Expenses for renovation project of Baofeng production base		15,269,496.93	508,983.28		14,760,513.65

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities before offset

Item	Closing balance		Closing balance for the previous year	
	Deductible/ taxable temporary differences	Deferred income tax assets/ liabilities	Deductible/ taxable temporary differences	Deferred income tax assets/ liabilities
Deferred tax assets:				
Provision for asset impairment	279,277,188.81	42,416,692.77	316,468,959.87	47,470,343.98
Post-leaving benefits payable	4,654,353.99	698,153.09	8,350,834.87	1,252,625.23
Quality guarantee deposit	42,047,682.57	6,307,152.38	32,864,879.87	4,929,731.98
Changes in fair value of receivables financing	59,051.63	9,744.64	159,719.93	23,957.99
Unrealized intra-group transactions	9,255,890.07	1,388,383.51	18,458,994.47	2,768,849.17
Lease liabilities	16,093,239.86	4,023,309.96	29,750,525.40	4,462,578.81
Others	306,477.79	45,971.67		
Sub-total	351,693,884.72	54,889,408.02	406,053,914.40	60,908,087.16
Deferred tax liabilities:				
Right-of-use assets	15,242,819.93	3,810,704.98	28,647,853.07	4,297,177.96
Changes in fair value of other equity instrument investments	416,644,197.19	62,496,629.57	303,062,197.19	45,459,329.57
Sub-total	431,887,017.12	66,307,334.55	331,710,050.26	49,756,507.53

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Deferred tax assets and deferred tax liabilities (continued)

(2) Deferred tax assets or deferred tax liabilities presented at net amount after offset

Item	Offset amount between deferred tax assets and liabilities at the end of the current period	Closing balance of deferred tax assets or liabilities after offset	Offset amount between deferred tax assets and liabilities at the end of the previous year	Closing balance of deferred tax assets or liabilities after offset for the previous year
Deferred income tax assets	46,618,084.47	8,271,323.55	49,756,507.53	11,151,579.63
Deferred income tax liabilities	46,618,084.47	19,689,250.08	49,756,507.53	

19. Other non-current assets

Item	Balance of carrying amount	Closing balance		Closing balance for the previous year		
		Provision for impairment	Book value	Balance of carrying amount	Provision for impairment	Book value
Prepaid land acquisition amount	12,380,490.00		12,380,490.00	13,880,490.00		13,880,490.00
Prepaid construction payment	700,001.60		700,001.60			
Total	13,080,491.60		13,080,491.60	13,880,490.00		13,880,490.00

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Assets with restricted ownership or right of use

Item	As at the end of the current period		
	Balance of carrying amount	Book value	Restriction
Cash and bank balance	36,597,409.78	36,597,409.78	Deposits, etc.
Bills receivable	2,571,995.73	2,559,136.49	Pledge
Total	39,169,405.51	39,156,546.27	/

21. Bills payable

Type	Closing balance	Closing balance for the previous year
Bank acceptance bills	546,907,509.65	662,326,764.95
Commercial acceptance bills		38,659,450.77
Total	546,907,509.65	700,986,215.72

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Accounts payable

Accounts payable by date of transaction

Ageing	Closing balance	Closing balance for the previous year
Within 1 year (including 1 year)	1,873,384,037.45	1,746,898,234.83
1-2 years (including 2 years)	21,234,515.02	239,356,744.34
2-3 years (including 3 years)	1,774,845.71	8,066,109.54
Over 3 years	4,769,505.52	2,616,311.35
Total	1,901,162,903.70	1,996,937,400.06

23. Advance received

Item	Closing balance	Closing balance for the previous year
Rental deposit received in advance	427,978.43	1,705,165.82

24. Contract liabilities

Item	Closing balance	Closing balance for the previous year
Advances from sales of goods	321,860,381.80	289,149,238.98
Advances from provision of services	—	642,201.84
Total	321,860,381.80	289,791,440.82

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Employee benefits payable

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Short-term benefits	7,347,635.26	524,840,433.34	508,697,777.42	23,490,291.18
Post-employment benefits-defined contribution plans		73,843,367.15	73,843,367.15	
Termination benefits	8,350,834.88	1,436,795.97	5,133,276.86	4,654,353.99
Total	15,698,470.14	600,120,596.46	587,674,421.43	28,144,645.17

(1) Short-term benefits

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Wages or salaries, bonuses, allowances and subsidies	7,070,872.65	361,347,577.55	345,327,398.72	23,091,051.48
Staff welfare		18,294,637.89	18,294,637.89	
Social insurance contributions	276,762.61	39,728,473.55	39,913,457.25	91,778.91
Including: 1. Basic medical insurance	276,762.61	37,229,046.21	37,414,029.91	91,778.91
2. Work-related injury insurance		2,482,882.16	2,482,882.16	
3. Maternity insurance		16,545.18	16,545.18	
Housing provident funds		36,885,674.54	36,885,674.54	
Labor union expenditures and employee education funds		6,668,477.56	6,361,999.77	306,477.79
Other short-term benefits		61,915,592.25	61,914,609.25	983.00
Total	7,347,635.26	524,840,433.34	508,697,777.42	23,490,291.18

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Employee benefits payable (continued)

(2) Defined contribution plans

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Post-employment benefits		73,843,367.15	73,843,367.15	
Including: Basic pension insurance		47,495,454.18	47,495,454.18	
Unemployment insurance		1,968,770.56	1,968,770.56	
Annuity		24,379,142.41	24,379,142.41	
Total		73,843,367.15	73,843,367.15	

The Company's defined contribution plans include basic pension insurance and unemployment insurance managed by local governments, as well as enterprise annuity (supplementary pension insurance) plans. Except for the monthly payment, the Company no longer undertakes further payment obligations. The corresponding expenses are included in the cost of the relevant assets or the current profit and loss when incurred.

During the Year, the Group should pay RMB47,495,454.18 for basic pension insurance; RMB1,968,770.56 for unemployment insurance; and RMB24,379,142.41 for supplementary pension insurance plan.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Taxes payable

Tax items	Closing balance	Closing balance for the previous year
Value-added tax	70,676,272.60	52,721,634.23
City maintenance and construction tax	6,114,607.33	3,651,658.01
Education surcharge	4,570,804.66	2,635,924.58
House property tax	4,040,258.08	4,131,811.48
Enterprise income tax	2,846,064.51	570,044.50
Land use tax	2,214,747.50	2,910,121.02
Individual income tax	254,390.54	256,622.12
Other taxes	3,391,745.42	3,288,617.35
Total	94,108,890.64	70,166,433.29

27. Other payables

Item	Closing balance	Closing balance for the previous year
Other payables	51,548,925.49	56,613,892.93

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Other payables (continued)

Other payables (breakdown by nature)

Item	Closing balance	Closing balance for the previous year
Deposit of security deposit	27,616,939.99	30,112,267.06
Safety production expenses		11,193,546.31
Tender deposits		7,901,371.00
Performance bond		2,153,367.51
Others	23,931,985.50	5,253,341.05
Total	51,548,925.49	56,613,892.93

28. Non-current liabilities due within one year

Item	Closing balance	Closing balance for the previous year
Estimated liabilities due within one year	42,047,682.57	32,674,256.81
Lease liabilities due within one year	1,809,787.64	2,218,945.40
Total	43,857,470.21	34,893,202.21

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Other current liabilities

Item	Closing balance	Closing balance for the previous year
Accounts payable not derecognized due to endorsement of commercial acceptance bills	54,573,280.19	
Output VAT to be transferred		57,798.16
Total	54,573,280.19	57,798.16

30. Lease liabilities

Item	Closing balance	Closing balance for the previous year
Lease payment	18,249,431.52	20,530,610.46
Less: financing charges unrecognized	2,156,191.66	2,680,295.22
Sub-total	16,093,239.86	17,850,315.24
Less: Lease liabilities due within one year	1,809,787.64	2,218,945.40
Total	14,283,452.22	15,631,369.84

The interest expense accrued on lease liabilities amounted to RMB524,103.56 in 2024 and the amount included in finance costs – interest expense was RMB524,103.56.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Deferred income

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reason
Government grants	72,697.84	10,883,420.69	10,916,608.08	39,510.45	Others

Government grants included in deferred income are detailed in Note VII, Government Grants.

32. Share capital

Item	Opening balance	New shares issued	Increase (+) or decrease (-) in the current period			Sub-total	Closing balance
			Bonus shares	Conversion of reserves into shares	Others		
Total shares	1,519,884,000.00						1,519,884,000.00

33. Capital reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium	1,707,734,850.20			1,707,734,850.20
Other capital reserve	1,516,993,143.83			1,516,993,143.83
Total	3,224,727,994.03			3,224,727,994.03

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Other comprehensive income

Other comprehensive income attributable to the parent company in the balance sheet:

Item	Opening balance	Amount for the current period		Closing balance
		Amount after tax attributable to the parent company	Less: amount included in other comprehensive income in the previous period and transferred to retained earnings in the current period	
I. Other comprehensive income that cannot be reclassified into profit or loss	247,220,369.61	96,544,700.00		343,765,069.61
1. Changes in re-measurement of the defined benefit plan	-10,382,497.94			-10,382,497.94
2. Changes in fair value of other equity instrument investments	257,602,867.55	96,544,700.00		354,147,567.55
II. Other comprehensive income that will be reclassified into profit or loss	3,205,782.50	-1,171,357.04		2,034,425.46
1. The amount of financial assets reclassified into other comprehensive income	-137,731.91	88,424.92		-49,306.99
2. Translation difference of financial statements in foreign currencies	3,343,514.41	-1,259,781.96		2,083,732.45
Total other comprehensive income	250,426,152.11	95,373,342.96		345,799,495.07

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Other comprehensive income (continued)

Other comprehensive income attributable to the parent company in the income statement:

Item	Pre-tax amount incurred in current period	Amount for the current period		Less: amount after tax attributable to minority shareholders	Amount after tax attributable to the parent company
		Less: amount included in other comprehensive income in the previous period and transferred to profit or loss in the current period	Less: Income tax expenses		
I. Other comprehensive income that cannot be reclassified into profit or loss	113,582,000.00		17,037,300.00		96,544,700.00
1. Changes in re-measurement of the defined benefit plan					
2. Changes in fair value of other equity instrument investments	113,582,000.00		17,037,300.00		96,544,700.00
II. Other comprehensive income that will be reclassified into profit or loss	-1,156,487.02		14,870.02		-1,171,357.04
1. The amount of financial assets reclassified into other comprehensive income	103,294.94		14,870.02		88,424.92
2. Translation difference of financial statements in foreign currencies	-1,259,781.96				-1,259,781.96
Total other comprehensive income	112,425,512.98		17,052,170.02		95,373,342.96

The amount of other comprehensive income, net of tax, for the current period was RMB95,373,342.96, of which, the amount of other comprehensive income, net of tax, attributable to the shareholders of the parent company for the current period was RMB95,373,342.96.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Special reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Production safety expenses		9,021,543.79	9,021,543.79	

36. Surplus reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	151,251,994.06	10,331,682.36		161,583,676.42

37. Retained earnings

Item	Amount for the current period	Amount for the previous period	Proportion of appropriation or distribution
Retained earnings at the end of previous period before adjustment	714,911,976.09	623,145,385.08	—
Adjustments to retained earnings as at beginning of the period ("+" for increase, and "-" for decrease)		81,232.90	—
Retained earnings at the beginning of the period after adjustment	714,911,976.09	623,226,617.98	
Plus: Net profit attributable to owners of the parent company in the current period	128,205,804.33	145,035,124.92	—
Less: Appropriation of statutory surplus reserve	10,331,682.36	15,352,666.81	
Dividends payable to ordinary shareholders	45,596,520.00	37,997,100.00	
Retained earnings at the end of the period	787,189,578.06	714,911,976.09	

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Operating revenue and operating cost

(1) Operating revenue and operating cost

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal business	3,096,962,853.42	2,500,406,593.66	3,086,250,495.46	2,645,366,207.21
Other business	22,657,820.40	23,054,617.27	13,726,689.74	28,786,957.81
Total	3,119,620,673.82	2,523,461,210.93	3,099,977,185.20	2,674,153,165.02

(2) Breakdown of operating revenue and operating cost by business (or product type)

Major product type (or business)	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal business:				
Revenue from sales of mechanical equipment	1,031,846,799.97	815,673,272.55	1,439,458,555.21	1,236,315,882.05
Revenue from sales of accessories	897,050,226.91	768,001,885.75	827,888,745.48	725,977,383.56
Revenue from maintenance of railway track maintenance machinery	886,507,873.69	691,017,969.42	564,058,541.19	479,111,237.88
Revenue from railway line maintenance services	171,276,801.89	142,067,530.59	152,220,979.50	127,653,160.59
Revenue from mechanical design services	110,281,150.96	83,645,935.35	102,623,674.08	76,308,543.13
Sub-total	3,096,962,853.42	2,500,406,593.66	3,086,250,495.46	2,645,366,207.21
Other business:	22,657,820.40	23,054,617.27	13,726,689.74	28,786,957.81
Total	3,119,620,673.82	2,523,461,210.93	3,099,977,185.20	2,674,153,165.02

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Operating revenue and operating cost (continued)

(3) Breakdown of operating revenue and operating cost by the time of transferring goods

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
At a point in time	2,838,062,720.97	2,297,747,744.99	2,845,132,531.62	2,470,191,461.30
Over time	281,557,952.85	225,713,465.94	254,844,653.58	203,961,703.72
Total	3,119,620,673.82	2,523,461,210.93	3,099,977,185.20	2,674,153,165.02

39. Taxes and surcharges

Item	Amount for the current period	Amount for the previous period
Real estate tax	9,414,242.43	9,583,191.25
Urban maintenance and construction tax	6,215,061.51	3,787,023.17
Urban land use tax	4,791,343.39	5,981,733.54
Education surcharge	2,836,718.48	1,661,547.85
Stamp duty	1,904,475.63	1,876,346.99
Local education surcharge	1,891,145.91	1,107,698.57
Vehicle and vessel tax	34,752.21	31,987.48
Environmental protection tax	33,184.87	44,256.49
Others	510.22	
Total	27,121,434.65	24,073,785.34

For details of the criteria for the calculation and payment of taxes and surcharges, please refer to Note IV, Taxes.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Selling expenses

Item	Amount for the current period	Amount for the previous period
Employee benefits	60,481,290.14	61,028,488.83
Depreciation cost	24,466,738.29	24,546,107.44
Travel expenses	9,832,588.76	15,851,297.30
Entertainment expenses	8,180,907.51	7,448,210.85
Others	16,258,718.92	21,534,116.31
Total	119,220,243.62	130,408,220.73

41. Administrative expenses

Item	Amount for the current period	Amount for the previous period
Employee benefits	104,542,407.30	106,458,808.81
Depreciation and amortization	19,291,702.17	22,164,618.83
Property costs	8,177,366.38	6,552,644.27
Intermediary audit and evaluation fee	7,073,287.43	5,644,354.97
Others	31,932,335.66	31,436,760.59
Total	171,017,098.94	172,257,187.47

The auditor of the Company's financial statements for the current period is Grant Thornton Zhitong Certified Public Accountants LLP, and the auditor's remuneration is RMB800,000 (tax inclusive).

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Research and development expenses

Item	Amount for the current period	Amount for the previous period
Employee benefits	122,307,704.93	139,175,214.75
Material, fuel and power expenses	60,123,164.45	164,110,251.26
Depreciation cost	30,282,010.28	29,565,862.74
Other expenses	25,241,695.82	26,103,119.64
Total	237,954,575.48	358,954,448.39

43. Financial costs

Item	Amount for the current period	Amount for the previous period
Interest expenses	524,103.56	672,575.11
Less: Interest income	21,519,367.84	20,295,315.49
Foreign exchange gains and losses	-4,852,070.88	-552,713.12
Handling fee and others	-5,242,851.24	5,939,579.71
Total	-31,090,186.40	-14,235,873.79

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Other income

Item	Amount for the current period	Amount for the previous period
Government grants	10,883,420.69	6,802,657.21
Handling fee for withholding individual income tax	195,871.39	149,449.69
Additional deduction of VAT	32,807,116.41	938,887.00
Total	43,886,408.49	7,890,993.90

45. Investment income

Item	Amount for the current period	Amount for the previous period
Dividend income from other equity instrument investments	7,644,000.00	5,390,000.00
Investment income from derecognition of receivables financing		-448,203.96
Total	7,644,000.00	4,941,796.04

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

46. Credit impairment losses ("-" for losses)

Item	Amount for the current period	Amount for the previous period
Bad debt losses of bills receivable	-1,108,430.14	687,641.24
Bad debt losses of accounts receivable	21,635,161.44	28,238,873.87
Bad debt losses of other receivables	822,959.92	-12,288,810.66
Credit impairment losses of prepayments		12,319,343.80
Total	21,349,691.22	28,957,048.25

47. Losses on impairment of assets ("-" for losses)

Item	Amount for the current period	Amount for the previous period
Loss on impairment of contract assets	-37,258.75	115,900.84
Loss on impairment of inventories and loss on impairment of contract performance cost	-6,455,667.32	-86,738,499.40
Loss on impairment of fixed assets		-53,147,396.55
Losses from impairment of goodwill		-22,205,700.00
Total	-6,492,926.07	-161,975,695.11

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

48. Gains on disposal of assets ("-" for losses)

Item	Amount for the current period	Amount for the previous period
Gains on disposal of fixed assets ("-" for losses)	-262,586.81	494,197,169.52
Gains on disposal of intangible assets ("-" for losses)		6,659,643.37
Others		-2,087.24
Total	-262,586.81	500,854,725.65

49. Non-operating income

Item	Amount for the current period	Amount for the previous period	Amount included in the current non-recurring profit or loss
Government grants	33,187.39	21,612.56	33,187.39
Accounts not payable	195,053.48	30,434.60	195,053.48
Penalty income	89,274.31	213,027.72	89,274.31
Income from compensation, liquidated damages and various penalties		1,060,035.00	
Others	2,892,784.27	1,612,713.01	2,892,784.27
Total	3,210,299.45	2,937,822.89	3,210,299.45

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

50. Non-operating expenses

Item	Amount for the current period	Amount for the previous period	Amount included in the current non-recurring profit or loss
Liquidated damages, compensation and various fines	741,118.26	884,630.97	741,118.26
Loss on destruction or retirement of non-current assets	18,218.16		18,218.16
Late fine on taxes	14.85		14.85
Total	759,351.27	884,630.97	759,351.27

51. Income tax expenses

(1) Breakdown of income tax expenses

Item	Amount for the current period	Amount for the previous period
Current income tax calculated in accordance with tax laws and related regulations	6,145,380.21	1,176,422.92
Deferred income tax expenses	5,517,336.14	-9,229,918.23
Total	11,662,716.35	-8,053,495.31

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

51. Income tax expenses (continued)

(2) Relationship between income tax expense and total profit

Item	Amount for the current period	Amount for the previous period
Total profits	140,511,831.61	137,088,312.69
Income tax expenses calculated at statutory (or applicable) tax rate (total profits*15%)	21,076,774.74	20,563,246.90
Effect of other tax rates used by certain subsidiaries	1,038,704.04	173,080.07
Adjustments of current tax in previous periods	72,924.42	81,232.90
Non-assessable income (presented with "-")	-1,146,600.00	-1,474,537.25
Costs, expenses and losses not deductible for tax purposes	2,494,100.96	22,018,221.76
Tax effect of utilising unrecognized deductible losses and deductible temporary differences from previous years (presented with "-")	-375,101.04	-4,751,403.96
Tax effect of unrecognized deductible losses and deductible temporary differences	11,444,321.92	-17,766,447.77
Tax effect of extra tax deductions for research and development costs (presented with "-")	-22,529,064.51	-26,896,887.97
Others	-413,344.18	
Income tax expenses	11,662,716.35	-8,053,495.31

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

52. Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares issued by the Company:

Item	Amount for the current period	Amount for the previous period
Consolidated net profit attributable to ordinary shareholders of the parent company	128,205,804.33	145,035,124.92
Weighted average number of ordinary shares issued by the Company	1,519,884,000.00	1,519,884,000.00
Basic earnings per share	0.08	0.10
Including: Basic earnings per share of continuing operations	0.08	0.10
Basic earnings per share of discontinued operations		

The Company had no potentially dilutive ordinary shares in issue and therefore no diluted earnings per share are presented.

53. Notes to items of statement of cash flows

(1) Cash received from other operating activities

Item	Amount for the current period	Amount for the previous period
Various types of deposits and securities received	487,748.40	2,663,364.01
Interest income received	18,215,373.38	20,295,315.49
Other temporary receipts	19,067,126.79	7,589,124.31
Others	17,746,951.94	8,641,569.82
Total	55,517,200.51	39,189,373.63

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

53. Notes to items of statement of cash flows (continued)

(2) Cash paid for other operating activities

Item	Amount for the current period	Amount for the previous period
Administrative expenses and selling expenses	110,397,993.22	86,893,043.92
Various types of deposits and securities paid	1,937,572.62	2,102,228.34
Other temporary payables	14,022,031.87	65,135,758.97
Others	126,524,871.28	172,325,849.50
Total	252,882,468.99	326,456,880.73

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

54. Supplementary information of cash flow statements

(1) Supplementary information of cash flow statements

Supplementary information	Amount for the current period	Amount for the previous period
1. Net profits adjusted to cash flows from operating activities:		
Net profit	128,849,115.26	145,141,808.00
Plus: Asset impairment losses	6,492,926.07	161,975,695.11
Credit impairment losses	-21,349,691.22	-28,957,048.25
Depreciation of fixed assets and investment properties	118,529,657.32	125,127,182.65
Depreciation of right-of-use assets	1,945,891.92	1,945,275.62
Amortization of intangible assets	10,616,247.26	20,533,958.85
Amortization of long-term deferred expenses	508,983.28	
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	262,586.81	-500,854,725.65
Losses from scrapping of fixed assets ("-" for gains)	18,218.16	
Financial costs ("-" for gains)	-4,327,967.32	-113,847.83
Investment loss ("-" for gains)	-7,644,000.00	-4,941,796.04
Decreases in deferred income tax assets ("-" for increases)	5,517,434.63	-6,635,897.35
Decreases in inventories ("-" for increases)	-97,943,300.31	-689,451,175.55
Decreases in operating receivables ("-" for increases)	265,775,184.43	27,796,773.27
Increases in operating payables ("-" for decreases)	-124,073,133.18	834,999,771.24
Net cash flow from operating activities	283,178,153.11	86,565,974.07
2. Significant investing and financing activities not involving cash receipts and payments:		
3. Net movement in cash and cash equivalents:		
Closing balance of cash	1,147,055,380.88	1,457,596,638.25
Less: Cash at the beginning of the period	1,457,596,638.25	1,163,149,863.13
Net increase in cash and cash equivalents	-310,541,257.37	294,446,775.12

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

54. Supplementary information of cash flow statements (continued)

(2) Breakdown of cash and cash equivalents

Item	Closing balance	Closing balance for the previous year
I. Cash	1,147,055,380.88	1,457,596,638.25
Including: Cash on hand	20,998.14	10,104.88
Unrestricted bank deposits	1,147,034,382.74	1,457,586,533.37
II. Cash equivalents		
III. Balance of cash and cash equivalents at the end of the period	1,147,055,380.88	1,457,596,638.25

(3) Cash and bank balances not classified as cash and cash equivalents

Item	Closing balance	Closing balance for the previous year	Reasons for not classified as cash and cash equivalents
Bank deposits	560,000,000.00		Time deposits
Accrued interest on deposits	3,303,994.46		Interest accrued but not yet due on bank deposits
Bank deposits	36,597,409.78		Restricted right of use
Total	599,901,404.24	/	

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

55. Foreign currency monetary items

Item	Closing balance of foreign currency	Exchange rate for conversion	Closing balance of foreign currency in RMB
Cash and bank balances			
Including: USD	2,048,868.81	7.1884	14,728,088.55
Euro	5,301,811.04	7.5257	39,899,839.34
Hong Kong dollars	18,914,183.47	0.92604	17,515,290.46
Swiss Franc	2,490,861.82	7.9977	19,921,165.58
Accounts receivable			
Including: USD	32,308,749.66	7.1884	232,248,216.06
Euro	3,267,842.33	7.5257	24,592,801.02
Hong Kong dollars	4,991,584.54	0.92604	4,622,406.95
Swiss Franc	479,823.60	7.9977	3,837,485.21

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

56. Lease

(1) As a lessee

The Company's anticipated cash outflows from leases in future years, committed but not commenced, are as follows:

Subsequent to the balance sheet date	Closing balance
Within 1 year	2,491,210.00
1-2 years	2,491,210.00
2-3 years	2,491,210.00
Over 3 years	12,456,050.00
Total	19,929,680.00

(2) As a lessor

Operating lease

Item	Amount for the current period	Amount for the previous period
Lease income	6,867,461.91	5,840,226.19

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

VI. INTERESTS IN OTHER ENTITIES

Interests in subsidiaries

(1) Group members

Name of subsidiary	Registered capital (RMB0' 000)	Type of legal person	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		Obtained by
						Direct	Indirect	
Beijing Ruiweitong Engineering Machinery Co., Ltd.	27,388.02	Wholly owned by legal person	Beijing	Beijing	Industrial manufacturing	100.00		Investment
Beijing Kunweitong Railway Mechanization Engineering Co., Ltd.	6,000.00	Wholly owned by legal person	Beijing	Beijing	Construction	100.00		Investment
Zhengzhou Railway Construction Equipment Technology Co., Ltd.	7,000.00	Limited liability	Zhengzhou	Zhengzhou	Industrial manufacturing	51.00		Investment
CRCC Yukun Limited			Hong Kong	Hong Kong	Holding investment	100.00		Business combination under common control
CECIDEON Engineering GmbH & Co. KG			Germany	Germany	Mechanical design		100.00	Not under common control
CECIDEON Engineering Verwaltungs GmbH			Germany	Germany	Mechanical design		100.00	Not under common control
CECIDEON Engineering Schweiz AG			Switzerland	Switzerland	Mechanical design		100.00	Not under common control

Explanation: As of 31 December 2024, none of the subsidiaries had issued any debt securities at the end of the year or at any time during the year (2023: Nil).

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

VI. INTERESTS IN OTHER ENTITIES (continued)

Interests in subsidiaries (continued)

(2) Major non-wholly-owned subsidiaries

Name of the subsidiary	Shareholding ratio of minority shareholders (%)	Profit or loss attributable to minority shareholders in the current period	Dividends declared to minority shareholders in the current period	Closing balance of minority interests
Zhengzhou CRCC Equipment Technology Co., Ltd.	49.00	643,310.93		35,086,437.12

(3) Key financial information of major non-wholly-owned subsidiaries

Name of the subsidiary	Current assets	Non-current assets	Closing balance		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
Zhengzhou CRCC Equipment Technology Co., Ltd.	85,719,836.20	42,739,221.69	128,459,057.89	42,490,386.20	14,283,452.22	56,773,838.42

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

VI. INTERESTS IN OTHER ENTITIES (continued)

Interests in subsidiaries (continued)

(3) Key financial information of major non-wholly-owned subsidiaries (continued)

Continued (1):

Name of the subsidiary	Closing balance for the previous year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Zhengzhou CRCC Equipment Technology Co., Ltd.	39,720,868.52	30,247,634.86	69,968,503.38	23,963,806.37	15,631,369.84	39,595,176.21

Continued (2):

Name of the subsidiary	Amount for the current period				Amount for the previous period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Zhengzhou CRCC Equipment Technology Co., Ltd.	35,394,804.97	1,312,879.45	1,311,892.30	3,139,793.31	7,346,437.10	217,720.58	217,720.58	-3,641,869.49

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

VII. GOVERNMENT GRANTS

Government grants included in the current profit or loss

Income-related government grants

Items included in the current profit or loss or offset the loss of related costs and expenses	Amount of government grants	Amount included in the current profit or loss or offset the loss of related costs and expenses	
		Amount for the current period	Amount for the previous period
Included in the current profit or loss	10,883,420.69	10,883,420.69	6,802,657.21

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The Company's financial instruments mainly include cash and bank balances, bills receivable, accounts receivable, receivables financing, other receivables, non-current assets due within one year, other current assets, other equity instrument investments, bills payable, accounts payable, other payables, and lease liabilities. Details of each financial instrument are disclosed in the respective notes. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are described below. The management of the Company manages and monitors these exposures to ensure that the above risks are controlled within limits.

1. Risk management objectives and policies

The main risks resulting from the Company's financial instruments are credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and commodity price risk).

The Company's objective of risk management is to strike an appropriate balance between risks and returns, minimise the negative impact of risks on the Company's operating results and maximise the interests of shareholders and other equity investors. Based on this risk management objective, the Company's basic strategy for risk management is to identify and analyse the various risks to which the Company is exposed, establish an appropriate risk tolerance floor and conduct risk management, and monitor various risks in a timely and reliable manner in order to keep the risks within limits.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

The Board of Directors is responsible for planning and establishing the Company's risk management structure, formulating the Company's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Company has developed risk management policies to identify and analyze the risks confronting the Company. These risk management policies clearly stipulate specific risks, covering many aspects such as market risk, credit risk and liquidity risk management. The Company regularly evaluates the market environment and changes in the Company's business activities to determine whether to update the risk management policy and system. The Company's risk management is carried out by the risk management committee in accordance with the policies approved by the Board of Directors. The risk management committee works closely with other business departments of the Company to identify, evaluate and avoid related risks. The internal audit department of the Company conducts regular audits on risk management control and procedures, and reports the audit results to the audit committee of the Company.

(1) Credit risk

Credit risk refers to the risk where the counterparty fails to discharge its obligation under the terms of the financial instrument and causes a financial loss to the Group.

The Company manages credit risk on a group basis. Credit risk mainly arises from bank deposits, bills receivable, accounts receivable, receivables financing, contract assets, other receivables, etc.

The Company's bank deposits are mainly placed with reputable financial institutions with high credit ratings, and the Company does not expect its bank deposits to be exposed to significant credit risk.

The Company has policies to limit the credit exposure on bills receivable, accounts receivable, receivables financing, contract assets and other receivables. The Company assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, their credit history and other factors such as current market conditions. The Company monitors the credit history of its customers on a regular basis. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Company is limited to a controllable extent.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(2) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations settled with cash or other financial assets delivery.

The Company's policy is to ensure it has sufficient cash to settle the debts when they fall due. The Company's finance department centralized control on liquidity risk. Through monitoring cash balance, readily realizable marketable securities and the rolling forecasts of cash flow for the next 12 months, the finance department will ensure it has sufficient funds to settle its debts under all reasonably foreseeable circumstances. while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements. Financial liabilities of the Company should be presented at undiscounted contractual cash flows on the maturity date as follows:

Item	On demand	Within 1 year	Closing balance			Total
			1-2 years	2-5 years	Over 5 years	
Financial liabilities:						
Bills payable		546,907,509.65				546,907,509.65
Accounts payable		1,901,162,903.70				1,901,162,903.70
Other payables		51,548,925.49				51,548,925.49
Other current liabilities (excluding deferred income)		54,573,280.19				54,573,280.19
Lease liabilities		1,809,787.64	1,864,081.27	5,934,539.45	6,484,831.50	16,093,239.86
Total financial liabilities		2,556,002,406.67	1,864,081.27	5,934,539.45	6,484,831.50	2,570,285,858.89

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(2) Liquidity risk (continued)

Item	Closing balance for the previous year					Total
	On demand	Within 1 year	1-2 years	2-5 years	Over 5 years	
Financial liabilities:						
Bills payable		700,986,215.72				700,986,215.72
Accounts payable		1,996,937,400.06				1,996,937,400.06
Other payables		56,613,892.93				56,613,892.93
Other current liabilities (excluding deferred income)						
Lease liabilities		2,285,513.76	2,285,513.76	6,856,541.28	6,422,746.48	17,850,315.28
Total financial liabilities		2,756,823,022.47	2,285,513.76	6,856,541.28	6,422,746.48	2,772,387,823.99

(3) Market risk

Market risk, including interest rate risk, foreign exchange rate risk and foreign currency risk, refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the changes in market price.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(3) **Market risk** (continued)

Interest rate risk

Interest rate risk refers to the risks of fluctuation in the fair value or future cash flows of financial instruments due to changes in market interest rate. Interest rate risk arises from recognized interest-bearing financial instruments and unrecognized financial instruments (such as certain loan commitments).

Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, while financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Company determines the relative proportions of fixed-rate and floating-rate contracts based on market conditions and maintains an appropriate mix of fixed-rate and floating-rate instruments through regular reviews and monitoring.

As at 31 December 2024 and 31 December 2023, the Group did not have any balance of interest-bearing borrowings.

Exchange rate risk

Exchange rate risk refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in foreign exchange rate.

The Company continuously monitors the scale of foreign currency transactions and foreign currency assets and liabilities to minimize its exposure to foreign exchange risks. In this regard, the Company may enter into forward foreign exchange contracts or currency swap contracts to avoid exchange rate risks. During the current period and the previous period, the Company did not enter into any forward foreign exchange contracts or currency swap contracts.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(3) Market risk (continued)

Exchange rate risk (continued)

The exchange rate risk the Company is exposed to mainly arises from financial assets and financial liabilities denominated in US dollars or Euro. The foreign currency financial assets and liabilities held by the Group were converted to RMB as follows:

Item	Closing balance			Closing balance for the previous year		
	Euro	Other foreign currencies	Total	Euro	Other foreign currencies	Total
Cash and bank balances	39,899,839.34	52,164,544.59	92,064,383.93	45,350,166.76	64,887,463.90	110,237,630.66

At the end of the period, assuming a 5% appreciation or depreciation of Renminbi against foreign currencies with all other variables held constant, the shareholders' equity and net profit of the Company will both increase or decrease by approximately RMB15,188,000 (at the end of the previous year: approximately RMB12,861,200).

Other price risks

Other price risks refer to the risks of fluctuations due to changes in market price other than exchange rate risk and interest rate risk, whether these changes are caused by factors related to individual financial instruments or their issuers, or by factors related to all similar financial instruments traded in the market. Other price risks may arise from changes in commodity prices, stock market indices, equity instrument prices and other risk variables.

Investments in listed equity instruments classified as other equity instrument investments held by the Company are measured at fair value at the balance sheet date. Accordingly, the Company is exposed to the risk of changes in the securities market.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(3) Market risk (continued)

Other price risks (continued)

The Company closely monitors the impact of price movements on the price risk of the Company's equity securities investments. The Company has not taken any measures to hedge against other price risk at present. However, the management is responsible for monitoring other price risks and will consider mitigating the price risk of equity securities investments by holding a diversified portfolio of equity securities as and when required.

The effect on the Company's profit or loss and other comprehensive income after tax of a 0.5% (previous year: 0.5%) change in the price of equity securities investments in the current year, with all other variables held constant, is as follows (in RMB):

Item	Increase (decrease) in profit after tax		Increase (decrease) in other comprehensive income	
	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period
Increase in price of equity securities investments			1,995,868.00	1,513,144.50
Decrease in price of equity securities investments			-1,995,868.00	-1,513,144.50

2. Capital management

The Company's capital management policy is aimed at safeguarding the Company's ability to continue as a going concern, thereby providing returns to shareholders and benefits to other stakeholders.

The Company has set a capital amount that is proportional to the risk. The capital structure is adjusted according to the change of economic environment and the risk characteristics of the target assets. In order to maintain or adjust the capital structure, the Company may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or other equity instruments or sell assets to reduce liabilities.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

2. Capital management (continued)

The Company monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes net amount of bills payable, accounts payable and other payables minus cash. Capital refers to capital attributable to shareholders of the parent. The Company's gearing ratio at each balance sheet date was as follows:

Item	Closing balance	Closing balance for the previous year
Total debts	3,076,604,198.03	3,182,554,086.83
Less: Cash and cash equivalents	1,147,055,380.88	1,457,596,638.25
Advance received	427,978.43	1,705,165.82
Contract liabilities	321,860,381.80	289,791,440.82
Employee benefits payable	28,144,645.17	15,698,470.14
Taxes payable	94,108,890.64	70,166,433.29
Non-current liabilities due within one year	42,047,682.57	34,893,202.21
Deferred income	39,510.45	
Deferred income tax liabilities	19,689,250.08	
Adjusted net debt	1,423,230,478.01	1,312,702,736.30
Owners' equity	6,039,184,743.58	5,861,202,116.29
Adjusted capital	6,039,184,743.58	5,861,202,116.29
Gearing ratio	19.07%	18.30%

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

IX. FAIR VALUE

The fair value hierarchy is classified based on the lowest level of inputs in the fair value measurement which are significant to the measurement as a whole:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: observable inputs other than quoted market prices for assets or liabilities within Level 1 that are used either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: assets or liabilities are measured using any inputs that are not based on observable market data (unobservable inputs).

Items measured at fair value and their amounts

Assets and liabilities measured at fair value at the end of the period using the above three levels are presented below:

Item	Measurement of fair value at level 1	Measurement of fair value at level 2	Measurement of fair value at level 3	Total
Continuous measurement at fair value				
(i) Held-for-trading financial assets	469,616,000.00			469,616,000.00
Equity instrument investments	469,616,000.00			469,616,000.00
(ii) Receivables financing		65,414,758.27		65,414,758.27
Total assets with continuous measurement at fair value	469,616,000.00	65,414,758.27		535,030,758.27

The Company's other investments in equity instruments measured at level 1 fair value at the end of the period are publicly issued shares of Zhuzhou CRRC Times Electric Co., Ltd. held by the Company not for short-term trading, and the fair value at the end of the period represents the share price as of 31 December 2024.

The receivables financing measured at the level 2 fair value held by the Company are bills receivable. The discounted cash flow method is used to determine the fair value, and the discount rate of bank acceptance bills for the same period is used as the discount rate.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS

1. Parent company of the Company

Name of parent company	Place of registration	Business nature	Registered capital (RMB0'000)	Shareholding of the parent company in the Company (%)	Proportion of voting rights of the parent company in the Company (%)
China Railway Construction Corporation Limited	Beijing	Civil engineering construction industry	1,357,954.15	65.0039	65.0039

The ultimate controlling party of the Company is China Railway Construction Group Corporation

2. Information on subsidiaries of the Company

Please refer to Note VI for details of subsidiaries.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

3. Information on other related parties of the Company

Name of related parties	Relationship with the Company
CRCC Finance Company Limited	Under common control of the same parent company with the Company
China Railway Materials Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 11th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 15th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 14th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 16th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 12th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 18th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway Construction South China Construction Co., Ltd.	Under common control of the same parent company with the Company
China Railway 24th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 23rd Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 20th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Civil Engineering Construction Corporation	Under common control of the same parent company with the Company
China Railway Construction Heavy Industry Corporation Limited	Under common control of the same parent company with the Company
China Railway Construction Investment Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway Construction Electrification Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway Construction Development Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 4th Survey and Design Institute Group Co., Ltd.	Under common control of the same parent company with the Company

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

3. Information on other related parties of the Company (continued)

Name of related parties	Relationship with the Company
China Railway Construction Corporation Co., Ltd.	Under common control of the same parent company with the Company
China Railway 19th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 25th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 17th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
Taiyuan Rail Transit Line 1 Construction and Operation Co., Ltd.	Joint venture of the parent company
China Railway Construction Jinli Assets Management Co., Ltd.	Under common control of the same ultimate controlling party with the Company

4. Related-party transactions

(1) Related-party purchases and sales

1 Purchase of goods and receipt of services

Related party	Content of related-party transaction	Amount for the current period	Amount for the previous period
China Railway Construction Heavy Industry Corporation Limited	Purchase of goods	34,215,576.89	82,027,677.27
China Railway 23rd Bureau Group Co., Ltd.	Receipt of services	941,433.96	
China Railway Materials Group Co., Ltd.	Purchase of goods	803,076.72	264,149.34
China Railway Construction Development Group Co., Ltd.	Purchase of goods	239,823.01	
China Railway 4th Survey and Design Institute Group Co., Ltd.	Receipt of services	189,693.40	
China Railway 20th Bureau Group Co., Ltd.	Purchase of goods		10,009,076.84

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

4. Related-party transactions (continued)

(1) Related-party purchases and sales (continued)

2 Sale of goods and rendering of services

Related party	Content of related-party transaction	Amount for the current period	Amount for the previous period
China Railway Construction Group Co., Ltd.	Sale of goods	105,715,921.93	14,092,486.73
China Railway Construction Electrification Bureau Group Co., Ltd.	Sale of goods	90,771,254.53	103,743,436.32
China Civil Engineering Construction Corporation	Sale of goods	34,229,328.33	1,853,743.34
China Railway 14th Bureau Group Co., Ltd.	Rendering of services	20,044,247.78	
China Railway 18th Bureau Group Co., Ltd.	Sale of goods	13,303,287.61	
China Railway 15th Bureau Group Co., Ltd.	Sale of goods	12,328,746.89	
Taiyuan Rail Transit Line 1 Construction and Operation Co., Ltd.	Sale of goods	6,974,867.26	
China Railway 19th Bureau Group Co., Ltd.	Rendering of services	5,466,388.99	
China Railway Construction Heavy Industry Corporation Limited	Sale of goods	5,173,785.96	503,147,553.33
China Railway 11th Bureau Group Co., Ltd.	Rendering of services	4,588,495.58	
China Railway 11th Bureau Group Co., Ltd.	Sale of goods	2,459,508.24	7,787,614.00
China Railway Materials Group Co., Ltd.	Rendering of services	1,078,616.33	
China Railway 24th Bureau Group Co., Ltd.	Rendering of services	51,269.19	
China Railway 20th Bureau Group Co., Ltd.	Sale of goods	18,546.01	290,538.08
China Railway 12th Bureau Group Co., Ltd.	Rendering of services	16,615.09	13,686,569.20
China Railway 25th Bureau Group Co., Ltd.	Rendering of services	3,056.60	
China Railway Materials Group Co., Ltd.	Sale of goods		2,619,496.80
China Railway 14th Bureau Group Co., Ltd.	Sale of goods		514,869.99
China Railway 19th Bureau Group Co., Ltd.	Sale of goods		7,977.36

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

4. Related-party transactions (continued)

(2) Related-party lease

1 The Company as a lessor

Name of lessee	Type of leased asset	Lease income recognized in the current period
China Railway Construction Heavy Industry Corporation Limited	Property	161,710.63

2 The Company as a lessee

Name of lessor	Type of leased asset	Lease payable for the current period
China Railway Construction Heavy Industry Corporation Limited	Property	59,322.72

(3) Key management remuneration

Item	Amount for the current period (RMB0,000)	Amount for the previous period (RMB'0,000)
Key management remuneration	1,040.82	1,104.88

The key management personnel of the Company include Directors, Supervisors and senior management. The key personnel, Mr. Lyu Jing, Mr. Xie Huagang, Mr. Wang Huaming and Mr. Zhong Xiangjun, have waived their remuneration from the Company. There is no waiver of remuneration by other Directors and Supervisors of the Company, and the Company is not required to pay any amount to facilitate the joining of Directors. No payment shall be made to reimburse the Director for the loss of office.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

4. Related-party transactions (continued)

(3) Key management remuneration (continued)

In 2024, the remuneration of each Director and Supervisor is as follows:

Unit: RMB0'000

Name	Director/Supervisor position	Basic salary	Payment of performance-based salary for 2023	Corporate contributions to four insurances and one fund	Total
Tong Pujiang	Chairman and executive Director	18.67		6.68	25.35
Xiang Daqiang	Executive Director	25.17		11.00	36.17
Chen Yongxiang	Executive Director	26.34	93.46	11.08	130.88
Mo Bin	Executive Director	23.38	31.69	11.07	66.14
Zhou Huipeng	Executive Director	11.24		5.34	16.58
Lyu Jing	Non-executive Director				
Xie Huagang	Non-executive Director				
Wu Yuntian	Independent non-executive Director	8.00			8.00
Na Pengjie	Independent non-executive Director	10.00			10.00
Chu Ching	Independent non-executive Director	10.00			10.00
Liang Zhijian	Chairman of Supervisory Committee and employee representative Supervisor	20.79	50.35	9.99	81.13
Zhong Xiangjun	Shareholder representative Supervisor				
Wang Huaming	Shareholder representative Supervisor				

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

4. Related-party transactions (continued)

(3) Key management remuneration (continued)

In 2023, the remuneration of each Director and Supervisor is as follows:

Unit: RMB'000

Name	Director/Supervisor position	Basic salary	Payment of performance-based salary for 2022	Subsidies for unused annual leave	Corporate contributions to four insurances and one fund	Total
Liu Feixiang	Former Chairman and executive Director					
Zhao Hui	Chairman and executive Director					
Tong Pujiang	Non-executive Director	12.80			8.52	21.32
Chen Yongxiang	Executive Director	19.20	68.56		11.88	99.64
Liang Zhijian	Chairman of Supervisory Committee and employee representative Supervisor	22.68	41.76	1.16	9.48	75.08
Luo Jianli	Executive Director	14.89	61.36	1.16	6.37	83.78
Zhou Huipeng	Executive Director	22.46	48.95	1.16	10.75	83.32
Mo Bin	Executive Director	19.20	68.90		11.82	99.92
Zhong Xiangjun	Shareholder representative Supervisor					
Wang Huaming	Shareholder representative Supervisor					
Chu Ching	Independent non-executive Director	10.00				10.00
Na Pengjie	Independent non-executive Director	10.00				10.00
Wu Yuntian	Independent non-executive Director	8.00				8.00
Bai Yunfei	Non-executive Director					

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

4. Related-party transactions (continued)

(3) Key management remuneration (continued)

Only positions related to Directors and Supervisors, excluding positions related to senior management, Party Committee and labour union.

Tong Pujiang has served as the chairman of CRCCE since 31 May 2024 and began to receive remuneration from CRCCE from June 2024.

Xiang Daqiang has served as an executive Director since 28 June 2024.

Zhou Huipeng ceased to serve as an executive Director with effect from 2 July 2024 and his remuneration data covered the period from January to June.

The remuneration of independent Directors and non-executive Directors and Supervisors who do not hold any position in the Company is the actual remuneration received in the current year. The remuneration of Directors who hold positions within the Company is the pre-tax remuneration payable in 2024. The composition of remuneration of Directors and Supervisors who hold positions within the Company comprise the base salary for 2024, performance-based salary for 2023, and corporate contributions to four insurances and one fund.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

4. Related-party transactions (continued)

(3) Key management remuneration (continued)

Top five highest paid individuals:

Two of the five individuals whose remuneration were the highest in the Company for 2024 are Directors (2023: two Directors), whose remunerations were reflected in the table above. The aggregate of the remuneration of the other three (2023: three) individuals and the number of individuals whose remuneration fell within the following remuneration bands during the Year are as follows:

Unit: RMB0' 000

	2024	2023
Basic salary	66.20	64.01
Performance-based compensation	191.87	180.25
Pension	36.49	38.26
Others		1.9
Total	294.56	284.42

	Number	2023
Remuneration bands:	2024	
HKD0-HKD1,000,000	2	1
HKD1,000,000-HKD1,500,000	1	2
HKD1,500,000-HKD2,000,000		

The Company is not required to make, and has not made, any payments for inducing the above highest paid individuals to join the Company; and is not required to make, and has not made, any payments to compensate the above highest paid individuals for leaving the Company.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

5. Accounts receivable from and due to related parties

(1) Accounts receivable from related parties

Item	Related party	Closing balance		Closing balance for the previous year	
		Balance of carrying amount	Bad debt provision	Balance of carrying amount	Bad debt provision
Cash and bank balances	CRCC Finance Company Limited	28,907,766.21		29,297,006.56	
Accounts receivable	China Railway 12th Bureau Group Co., Ltd.	68,679,851.00	68,679.85	80,142,122.00	80,142.12
	China Railway Construction Electrification Bureau Group Co., Ltd.	57,488,788.48	57,488.78	30,625,549.57	30,625.55
	China Civil Engineering Construction Corporation	54,001,641.00	54,001.64	15,859,500.00	15,859.50
	China Railway 11th Bureau Group Co., Ltd.	17,473,210.98	17,473.21	24,549,503.82	24,549.50
	China Railway 14th Bureau Group Co., Ltd.	22,650,000.00	22,650.00		
	China Railway 15th Bureau Group Co., Ltd.	11,509,926.41	11,509.92		
	China Railway Construction Group Co., Ltd.	8,740,488.30	8,740.49	6,424,510.00	32,122.55
	China Railway 19th Bureau Group Co., Ltd.	4,758,364.00	4,758.36		
	China Railway Construction South China Construction Co., Ltd.	2,103,055.02	2,103.06	2,103,055.02	2,103.06
	Taiyuan Rail Transit Line 1 Construction and Operation Co., Ltd.	1,927,740.00	9,638.70		
	China Railway Construction Heavy Industry Corporation Limited	110,170.84	110.17	317,910,430.45	317,910.43
	China Railway 20th Bureau Group Co., Ltd.	20,957.00	20.96		
	China Railway 24th Bureau Group Co., Ltd.	7,810.32	7.81		
	China Railway Materials Group Co., Ltd.			6,498,527.88	6,498.53

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

5. Accounts receivable from and due to related parties (continued)

(1) Accounts receivable from related parties (continued)

Item	Related party	Closing balance		Closing balance for the previous year	
		Balance of carrying amount	Bad debt provision	Balance of carrying amount	Bad debt provision
Receivable financing	China Railway Construction Heavy Industry Corporation Limited			8,000,000.00	8,407.59
Bills receivable	China Railway Construction Heavy Industry Corporation Limited	3,130,000.00	3,130.00		
	China Railway Construction Electrification Bureau Group Co., Ltd.	2,000,000.00	2,000.00		
	China Civil Engineering Construction Corporation			1,351,036.00	1,351.04
Prepayments	China Railway 16th Bureau Group Co., Ltd.	711,117.75			
Other receivables	China Railway Construction Development Group Co., Ltd.	224,000.00	1,120.00		
	China Railway 12th Bureau Group Co., Ltd.			1,000,000.00	50,000.00
	China Civil Engineering Construction Corporation			320,000.00	1,600.00
	China Railway 11th Bureau Group Co., Ltd.			1,000.00	5.00

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

5. Accounts receivable from and due to related parties (continued)

(2) Amounts due to related parties

Item	Related party	Closing balance	Closing balance for the previous year
Accounts payable	China Railway 20th Bureau Group Co., Ltd.	80,734,632.67	73,711,974.40
	China Railway Construction Heavy Industry Corporation Limited	19,518,140.17	1,146,696.00
	Zhuzhou China Railway Electric Materials Co., Ltd.	7,414,978.56	7,317,151.47
	China Railway Materials Group Co., Ltd.	806,340.67	
	China Railway 23rd Bureau Group Co., Ltd.	477,920.00	661,765.00
	China Railway 14th Bureau Group Co., Ltd.	155,033.27	155,033.27
Bills payable	China Railway Construction Heavy Industry Corporation Limited	903,843.81	34,328,071.70
Other payables	China Railway Construction Jinli Assets Management Co., Ltd.	6,000,000.00	
	China Railway Materials Group Co., Ltd.	25,960.00	
	China Railway Construction Investment Group Co., Ltd.	20,000.00	20,000.00
Contract liabilities	China Railway Construction Electrification Bureau Group Co., Ltd.	8,230,088.50	8,230,088.50
	China Railway 18th Bureau Group Co., Ltd.	6,287,815.97	
	China Railway Materials Group Co., Ltd.	5,851,472.09	5,440,000.00
	China Railway 24th Bureau Group Co., Ltd.	1,769,911.50	1,769,911.59
	China Railway 14th Bureau Group Co., Ltd.	1,592,920.35	1,592,920.35
	China Railway 17th Bureau Group Co., Ltd.	1,221,238.94	

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

6. Centralized management of funds

(1) The main contents of the centralized management of funds that the Company participates in and implements are as follows:

The Company imposes centralized management over the funds of the parent company and Group members through the internally established settlement center and finance company in accordance with the requirements of relevant laws and regulations.

(2) Funds collected by the Company to the parent company

Funds not collected to the account of the parent company but instead deposited directly in the finance company

Item	Closing balance		Closing balance for the previous year	
	Balance of carrying amount	Bad debt provision	Balance of carrying amount	Bad debt provision
Cash and bank balances	28,907,766.21		29,297,006.56	

Funds deposited in the finance company generated interest income of RMB322,257.86 during the current period.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

XI. COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

Contracted but not yet recognized in the financial statements:

Item	Closing balance	Closing balance for the previous year
Commitments to acquire fixed assets	2,953,814.75	5,937,094.00

As at 31 December 2024, the Company has no other commitments subject to disclosure.

2. Contingencies

As at 31 December 2024, the Company has no pending litigation, external guarantees or other contingencies subject to disclosure.

XII. EVENTS AFTER THE BALANCE SHEET DATE

On 27 March 2025, the Board of the Company passed a profit distribution proposal: a cash dividend of RMB0.028 (including tax) for every one share is proposed based on the total share capital of 1,519,884,000 shares of the Company as at 31 December 2024, and the proposed cash dividend is RMB42,556,752.00. The proposal will be implemented after consideration and approval by the shareholders at the general meeting.

As of 27 March 2025 (the date of approval of the report by the Board), the Company has no other events after the balance sheet date subject to disclosure.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

XIII. OTHER IMPORTANT MATTERS

1. Correction of accounting errors in prior period

During the reporting period, there was no correction of prior accounting errors.

2. Segment reporting

The Company is mainly engaged in the manufacture of products in the large-scale railway track maintenance machinery industry and the provision of related services. The management determines the reporting segments based on the Group's internal organizational structure, management requirements and internal reporting system, under which, the management decides to allocate resources and evaluate the performance. Relevant internal reports are disclosed in accordance with the accounting policies and measurement basis used when reporting to the management, and such accounting policies and measurement basis are consistent with those used for the preparation of these financial statements. Since the resource allocation and performance evaluation of the Company are based on the overall operation of the manufacture of large-scale railway track maintenance machinery and equipment and the provision of related services, which is also the only operating segment reported internally by the Company, no segment reporting information is presented separately.

Other segment information – Revenue from external transactions by origin of revenue

Item	Amount for the current period	Amount for the previous period
Mainland China	2,846,015,033.54	2,824,278,105.05
Other countries	273,605,640.28	275,699,080.15
Total	3,119,620,673.82	3,099,977,185.20

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE PARENT

1. Bills receivable

Category	Closing balance			Closing balance for the previous year		
	Balance of carrying amount	Bad debt provision	Book value	Balance of carrying amount	Bad debt provision	Book value
Bank acceptance bills				6,000,000.00	30,000.00	5,970,000.00
Commercial acceptance bills	351,685,153.65	1,737,905.77	349,947,247.88	170,920,754.86	582,003.69	170,338,751.17
Total	351,685,153.65	1,737,905.77	349,947,247.88	176,920,754.86	612,003.69	176,308,751.17

(1) Closing bills receivable pledged by the Company

Category	Closing amount pledged
Commercial acceptance bill	2,571,995.73

As at the end of the current period, other than the pledged bills for the bills pool to issue banker's acceptance, the Company has no bills receivable with restricted ownership and no bills transferred to accounts receivable due to non-performance of the drawer.

(2) Bills receivable which were endorsed or discounted by the Company at the end of the period but were not due

Category	Derecognized amount at the end of the period	Not-yet derecognized amount at the end of the period
Commercial acceptance bill		54,573,280.19

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE PARENT (continued)

1. Bills receivable (continued)

(3) Classified by bad debt provision method

Category	Balance of carrying amount		Closing balance		Book value
	Amount	Proportion (%)	Amount	Bad debt provision	
				Expected credit loss rate (%)	
Bad debt provision on group	351,685,153.65	100.00	1,737,905.77	0.50	349,947,247.88
Including:					
Commercial acceptance bills	351,685,153.65	100.00	1,737,905.77	0.50	349,947,247.88

Continued:

Category	Balance of carrying amount		Closing balance for the previous year		Book value
	Amount	Proportion (%)	Amount	Bad debt provision	
				Expected credit loss rate (%)	
Bad debt provision on group	176,920,754.86	100.00	612,003.69	0.35	176,308,751.17
Including:					
Commercial acceptance bills	6,000,000.00	3.39	30,000.00	0.50	5,970,000.00
Bank acceptance bills	170,920,754.86	96.61	582,003.69	0.34	170,338,751.17
Total	176,920,754.86	100.00	612,003.69	0.35	176,308,751.17

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE PARENT (continued)

1. Bills receivable (continued)

(4) Accrued, recovered or reversed provision for bad debts in the period

	Amount of bad debt provision
Opening balance	612,003.69
Provision during the period	1,794,713.05
Recovery or reversal during the period	668,810.97
Closing balance	1,737,905.77

2. Accounts receivable

(1) Accounts receivable disclosed by ageing at revenue recognition date

Ageing	Closing balance	Closing balance for the previous year
Within 1 year	1,263,351,060.30	1,684,334,539.83
1-2 years	162,259,914.31	350,629,160.98
2-3 years	146,842,317.10	24,622,791.48
Over 3 years	58,976,476.34	89,645,763.13
Sub-total	1,631,429,768.05	2,149,232,255.42
Less: Bad debt provision	55,902,938.83	84,498,730.36
Total	1,575,526,829.22	2,064,733,525.06

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE PARENT (continued)

2. Accounts receivable (continued)

(2) Classification by basis of bad debt provisions made

Category	Balance of carrying amount		Closing balance		Book value
	Amount	Proportion (%)	Bad debt provision Amount	Expected credit loss rate (%)	
Bad debt provision on individual basis	7,160,000.00	0.44	7,160,000.00	100.00	
Bad debt provision on group basis	1,624,269,768.05	99.56	48,742,938.83	3.00	1,575,526,829.22
Including:					
Related parties within the scope of consolidation	8,837,793.13	0.54			8,837,793.13
Other related parties	243,347,386.62	14.92	251,058.34	0.10	243,096,328.28
Other external entities	1,372,084,588.30	84.10	48,491,880.49	3.53	1,323,592,707.81
Total	1,631,429,768.05	100.00	55,902,938.83	3.43	1,575,526,829.22

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE PARENT (continued)

2. Accounts receivable (continued)

(2) Classification by basis of bad debt provisions made (continued)

Continued:

Category	Balance of carrying amount		Closing balance for the previous year		Book value
	Amount	Proportion (%)	Bad debt provision Amount	Expected credit loss rate (%)	
Bad debt provision on individual basis	28,640,000.00	1.33	28,640,000.00	100.00	
Bad debt provision on group basis	2,120,592,255.42	98.67	55,858,730.36	2.63	2,064,733,525.06
Including:					
Related parties within the scope of consolidation	9,844,909.11	0.46			9,844,909.11
Other related parties	484,862,198.74	22.56	510,560.24	0.11	484,351,638.5
Other external entities	1,625,885,147.57	75.65	55,348,170.12	3.40	1,570,536,977.45
Total	2,149,232,255.42	100.00	84,498,730.36	3.93	2,064,733,525.06

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE PARENT (continued)

2. Accounts receivable (continued)

(2) Classification by basis of bad debt provisions made (continued)

Accounts receivable with bad debt provision on individual basis

Name	Balance of carrying amount	Closing balance		Basis for provision
		Bad debt provision	Expected credit loss rate (%)	
Entity 1	7,160,000.00	7,160,000.00	100.00	Long outstanding

Continued:

Name	Balance of carrying amount	Closing balance for the previous year		Basis for provision
		Bad debt provision	Expected credit loss rate (%)	
Entity 1	28,640,000.00	28,640,000.00	100.00	Long outstanding

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE PARENT (continued)

2. Accounts receivable (continued)

(3) Accrued, recovered or reversed provision for bad debts in the period

	Amount of bad debt provision
Opening balance	84,498,730.36
Provision during the period	13,838,598.82
Recovery or reversal during the period	42,434,390.35
Closing balance	55,902,938.83

(4) Top five debtors of accounts receivable and contract assets in terms of closing balance

Name	Closing balance of accounts receivable	Closing balance of contract assets	Closing balance of accounts receivable and contract assets	Proportion in the total amount of closing balance of accounts receivable and contract assets (%)	Closing balance of bad debt provision for accounts receivable and impairment provision for contract assets
First	231,324,676.66		231,324,676.66	14.16	3,720,458.56
Second	116,162,245.98		116,162,245.98	7.11	704,811.47
Third	77,969,763.85		77,969,763.85	4.77	389,848.82
Fourth	68,662,239.00		68,662,239.00	4.20	68,662.24
Fifth	65,317,933.31		65,317,933.31	4.00	326,589.66
Total	559,436,858.80		559,436,858.80	34.24	5,210,370.75

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE PARENT (continued)

3. Other receivables

Item	Closing balance	Closing balance for the previous year
Other receivables	174,063,050.38	248,594,349.18

Other receivables

1 Disclosure by ageing at date of transaction

Ageing	Closing balance	Closing balance for the previous year
Within 1 year	168,214,985.93	242,076,929.06
1-2 years	4,595,876.30	42,217,134.89
2-3 years	39,620,805.64	2,762,964.40
Over 3 years	1,605,859.68	2,120,323.85
Sub-total	214,037,527.55	289,177,352.20
Less: Bad debt provision	39,974,477.17	40,583,003.02
Total	174,063,050.38	248,594,349.18

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE PARENT (continued)

3. Other receivables (continued)

2 Bad debt provision

Provision for bad debt in the first stage at the end of the period

Category	Balance of carrying amount	Expected credit loss rate over the next 12 months (%)	Bad debt provision	Book value
Bad debt provision on individual basis				
Bad debt provision on group basis	175,764,262.98	0.97	1,701,212.60	174,063,050.38
Related parties within the scope of consolidation	147,338,345.04			147,338,345.04
Other related parties	224,000.00	0.50	1,120.00	222,880.00
Other external entities	28,201,917.94	6.03	1,700,092.60	26,501,825.34
Total	175,764,262.98	0.97	1,701,212.60	174,063,050.38

At the end of the period, the Company did not have any other receivables in the second stage.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE PARENT (continued)

3. Other receivables (continued)

2 Bad debt provision (continued)

Provision for bad debt in the third stage at the end of the period

Name	Balance of carrying amount	Expected credit loss rate over the lifetime (%)	Bad debt provision	Book value	Basis of classification
Entity 7	38,273,264.57	100.00	38,273,264.57		Not expected to be recovered

Provision for bad debt in the first stage at the end of last year

Category	Balance of carrying amount	Expected credit loss rate over the next 12 months (%)	Bad debt provision	Book value
Bad debt provision on individual basis				
Bad debt provision on group basis	250,904,087.63	0.92	2,309,738.45	248,594,349.18
Related parties within the scope of consolidation	178,421,665.23			178,421,665.23
Other related parties	1,321,000.00	3.91	51,605.00	1,269,395.00
Other external entities	71,161,422.40	3.17	2,258,133.45	68,903,288.95
Total	250,904,087.63	0.92	2,309,738.45	248,594,349.18

At the end of last year, the Company did not have any other receivables in the second stage.

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE PARENT (continued)

3. Other receivables (continued)

2 Bad debt provision (continued)

Provision for bad debt in the third stage at the end of last year

Name	Balance of carrying amount	Expected credit loss rate over the lifetime (%)	Bad debt provision	Book value	Basis of classification
Entity 7	38,273,264.57	100.00	38,273,264.57		Not expected to be recovered

3 Accrued, recovered or reversed provision for bad debts in the period

Bad debt provision	First stage Expected credit loss in the next 12 months	Second stage Lifetime expected credit loss (not credit-impaired)	Third Stage Lifetime expected credit loss (credit-impaired)	Total
Opening balance	2,309,738.45		38,273,264.57	40,583,003.02
Opening balance in the current period	2,309,738.45		38,273,264.57	40,583,003.02
Provision during the period	1,353,680.01			1,353,680.01
Reversal during the period	1,962,205.86			1,962,205.86
Closing balance	1,701,212.60		38,273,264.57	39,974,477.17

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE PARENT (continued)

3. Other receivables (continued)

4 Top five debtors of other receivables in terms of closing balance

Name	Nature	Closing balance of other receivables	Ageing	Proportion in the total amount of closing balance of other receivables (%)	Closing balance of bad debt provision
First	Others	117,441,813.06	Within 1 year	54.87	
Second	Compensation	38,273,264.57	2-3 years	17.88	38,273,264.57
Third	Others	29,607,642.00	Within 1 year	13.83	
Fourth	Deposit	3,950,000.00	Within 1 year; over 3 years	1.85	20,045.00
Fifth	Deposit	2,098,671.06	Within 2 years	0.98	28,515.37
Total		191,371,390.69		89.41	38,321,824.94

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE PARENT (continued)

4. Long-term equity investment

Item	Balance of carrying amount	Closing balance Provision for impairment	Book value	Closing balance for the previous year		
				Balance of carrying amount	Provision for impairment	Book value
Investment in subsidiaries	417,576,012.32		417,576,012.32	396,876,012.32		396,876,012.32

Investment in subsidiaries

Investee	Book value at the beginning of the period	Movements in the current period				Book value at the end of the period
		Adding investment	Decreasing investment	Provision for impairment	Others	
Beijing Kunweitung Railway Mechanization Engineering Co., Ltd.	60,000,000.00					60,000,000.00
Beijing Ruiweitong Engineering Machinery Co., Ltd.	321,876,012.32					321,876,012.32
Zhengzhou CRCC Equipment Technology Co., Ltd.	15,000,000.00	20,700,000.00				35,700,000.00
CRCC Yukun Limited						
Total	396,876,012.32	20,700,000.00				417,576,012.32

NOTES TO FINANCIAL STATEMENTS

For the Year 2024 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE PARENT (continued)

5. Operating revenue and operating cost

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal business	2,887,121,350.36	2,397,003,340.32	3,012,558,156.70	2,647,897,210.75
Other business	25,349,873.31	25,985,064.61	16,336,335.90	31,624,144.87
Total	2,912,471,223.67	2,422,988,404.93	3,028,894,492.60	2,679,521,355.62

6. Investment income

Item	Amount for the current period	Amount for the previous period
Long-term equity investment accounted for by cost method	1,768,117.85	4,440,248.33
Dividend income from other equity instrument investments	7,644,000.00	5,390,000.00
Investment income from derecognition of receivables financing		-448,203.96
Total	9,412,117.85	9,382,044.37

CRCC High-Tech Equipment Corporation Limited

27 March 2025

BASIC CORPORATE INFORMATION

Name in Chinese	中國鐵建高新裝備股份有限公司
Name in English	CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED
Authorized representatives	Chen Yongxiang (陳永祥) Law Chun Biu (羅振彪)
Joint company secretaries	Li Wanqing (李萬清) Law Chun Biu (羅振彪)
Registered office	No. 384, Yangfangwang Jinma Town, Kunming Yunnan Province, the PRC
Telephone	+86 871 63831988
Fax	+86 871 63831000
Website	http://www.crcce.com.cn
Principal place of business in Hong Kong	23/F, Railway Plaza 39 Chatham Road South Tsim Sha Tsui Kowloon Hong Kong
Listing information	H Share The Stock Exchange of Hong Kong Limited Stock Code: 1786 Stock Abbreviation: CRCCE
H share registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

BASIC CORPORATE INFORMATION

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Grant Thornton Zhitong Certified Public Accountants LLP
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Beijing, the PRC

DEFINITIONS

"Articles of Association" or "Articles"	articles of association of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"CG Code"	the Corporate Governance Code set out in Appendix C1 of the Listing Rules
"Company" or "CRCC"	CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司), a joint stock company incorporated in the PRC with limited liability
"Company Law"	Company Law of the People's Republic of China, as amended and adopted by the Standing Committee of the Tenth National People's Congress on 27 October 2005 and effective on 1 January 2006, as amended, supplemented or otherwise modified from time to time, subsequently amended on 28 December 2013 and effective on 1 March 2014, subsequently amended and effective on 26 October 2018, and subsequently amended on 29 December 2023 and effective on 1 July 2024.
"CRCC"	China Railway Construction Corporation Limited (中國鐵建股份有限公司), the controlling shareholder of the Company
"CRCC Finance"	CRCC Finance Company Limited (中國鐵建財務有限公司), a limited liability company incorporated in the PRC, a subsidiary of CRCC and a connected person of the Company
"CRCCG"	China Railway Construction Group Corporation (中國鐵道建築集團有限公司), the indirect controlling shareholder of the Company
"CRCHI"	China Railway Construction Heavy Industry Co., Ltd. (中國鐵建重工集團股份有限公司)
"Director(s)"	the directors of the Company
"Grant Thornton"	Grant Thornton Zhitong Certified Public Accountants LLP
"Group"	the Company and its subsidiaries

DEFINITIONS

“H Share(s)”	overseas listed foreign shares in the share capital of the Company with the nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Kunweitong Company”	Beijing Kunweitong Railway Mechanization Engineering Co., Ltd. (北京昆維通鐵路機械化工程有限公司), a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules
“PRC”	the People’s Republic of China
“Ruiweitong Company”	Beijing Ruiweitong Engineering Machinery Co., Ltd. (北京瑞維通工程機械有限公司), a wholly-owned subsidiary of the Company
“Shareholder(s)”	holder(s) of shares of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Supervisor(s)”	the supervisor(s) of the Company



中國鐵建高新裝備股份有限公司

CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED