



# HEBEI YICHEN INDUSTRIAL GROUP CORPORATION LIMITED\*

## 河北翼辰實業集團股份有限公司

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

Stock Code : 1596

# 2025

ANNUAL REPORT



\* For identification purpose only



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# CORPORATE INFORMATION



## DIRECTORS

### Executive Directors

Mr. Zhang Haijun (*Chairman*)  
 Mr. Wu Jinyu  
 Mr. Zhang Lihuan  
 Mr. Zhang Chao  
 Ms. Ma Xuehui

### Non-executive Director

Ms. Zheng Zhixing

### Independent Non-executive Directors

Mr. Jip Ki Chi (*Lead Independent Non-executive Director<sup>(1)</sup>*)  
 Mr. Wang Fujun  
 Mr. Zhang Ligu

## SUPERVISORY BOARD

Mr. Guan En (*Chairman*)  
 Mr. Liu Jianbin  
 Mr. Zhou Hao

## AUDIT COMMITTEE

Mr. Jip Ki Chi (*Chairman*)  
 Mr. Wang Fujun  
 Mr. Zhang Ligu

## REMUNERATION COMMITTEE

Mr. Zhang Ligu (*Chairman*)  
 Mr. Wu Jinyu  
 Mr. Jip Ki Chi

## NOMINATION COMMITTEE

Mr. Wang Fujun (*Chairman*)  
 Mr. Zhang Ligu  
 Ms. Ma Xuehui <sup>(1)</sup>  
 Mr. Wu Jinyu <sup>(2)</sup>

## CORPORATE GOVERNANCE COMMITTEE

Mr. Jip Ki Chi (*Chairman*)  
 Mr. Wang Fujun  
 Mr. Zhang Chao

## STRATEGY COMMITTEE

Mr. Zhang Haijun (*Chairman*)  
 Mr. Wu Jinyu  
 Mr. Zhang Ligu

## COMPANY SECRETARY

Ms. Ng Wai Kam (*ACG, HKACG*)

## AUTHORISED REPRESENTATIVES

Mr. Zhang Haijun  
 Ms. Ng Wai Kam

## ALTERNATES TO THE AUTHORISED REPRESENTATIVES

Mr. Wu Jinyu  
 Mr. Zhang Chao

<sup>(1)</sup> Appointed with effect from 30 December 2025

<sup>(2)</sup> Resigned with effect from 30 December 2025

## Corporate Information

**AUDITOR**

Pan-China Certified Public Accountants LLP  
30th Floor, T2, Runao Business Center  
Yingfeng Street, Xiaoshan District  
Hangzhou City, Zhejiang Province  
China

**HONG KONG LEGAL ADVISER**

Khoo & Co.  
Suite 3902, 39/F, Central Plaza  
18 Harbour Road, Wanchai  
Hong Kong

**PRC LEGAL ADVISER**

Beijing Jingtian & Gongcheng  
34th Floor, Tower 3  
China Central Place  
77 Jianguo Road, Beijing  
Chaoyang District, Beijing  
China

**REGISTERED OFFICE AND HEADQUARTERS**

No. 1 Yichen North Street  
Gaocheng District  
Shijiazhuang City  
Hebei Province  
China

**ADDITIONAL REGISTERED ADDRESS**

No. 268 Lianzhou East Road  
Gaocheng District  
Shijiazhuang City  
Hebei Province  
China

**PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Room 1912, 19/F, Lee Garden One  
33 Hysan Avenue, Causeway Bay  
Hong Kong

**H SHARE REGISTRAR**

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

**STOCK CODE**

1596

**COMPANY WEBSITE**

<http://www.hbyc.com.cn>

## FINANCIAL SUMMARY

	2025	2024	2023	2022 (Restated)	2021
<b>Results (RMB'000)</b>					
Revenue	<b>1,667,135</b>	1,090,750	1,196,146	1,258,266	1,363,645
Cost of sales	<b>(1,082,560)</b>	(837,626)	(904,796)	(955,756)	(947,636)
Gross profits	<b>584,575</b>	253,124	291,350	302,510	416,009
Selling expenses	<b>(22,551)</b>	(20,678)	(19,793)	(18,693)	(21,260)
Management expenses	<b>(111,160)</b>	(92,528)	(95,520)	(79,716)	(82,105)
Profit/(loss) before income tax	<b>333,642</b>	(57,724)	50,131	183,475	284,481
Net profit/(loss) attributable to owners of the parent	<b>284,833</b>	(50,828)	49,445	161,033	246,088

	2025	2024	2023	2022 (Restated)	2021
<b>Assets and Liabilities (RMB'000)</b>					
Non-current assets	<b>1,562,239</b>	1,571,168	1,409,309	1,296,395	1,103,620
Current assets	<b>2,253,399</b>	1,930,330	2,186,122	1,925,586	1,794,407
Non-current liabilities	<b>356,417</b>	389,444	202,978	225,466	32,131
Current liabilities	<b>798,300</b>	717,681	919,183	635,634	753,491
Equity attributable to owners of the parent	<b>2,647,536</b>	2,381,448	2,460,984	2,349,723	2,103,635

The Group has adopted the PRC Accounting Standards for Business Enterprises in the preparation of its overseas financial statements since 2019.



## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to announce the annual results of the Group for the year ended 31 December 2025.

### 2025 REVIEW

In 2025, the Chinese economy maintained a stable growth momentum. According to the data released by the National Bureau of Statistics, the GDP for 2025 increased by 5.0% year-on-year at constant prices.

Looking back on 2025, significant achievements were made in China's high-quality development of railways. According to the National Railway Administration, the completed amount of national railway fixed asset investment reached RMB901.5 billion, representing a year-on-year increase of 6.0%, while 3,109 kilometers of new railway lines, including 2,862 kilometers of high-speed railway lines, commenced operation, which fully demonstrated the role of railway investment in driving economic growth.

During the "14th Five-Year Plan" period, China State Railway Group Co., Ltd. ("**State Railway Group**") adhered to the strategic positioning of making use of railway for the nation and the people. By emphasizing on promoting network integration, filling network gaps and strengthening chain projects, it has basically established a vast modern railway network. Over the five years, national railway operating mileage increased from 146,300 kilometers to 165,000 kilometers, representing an increase of 12.8%, and high-speed railway operating mileage grew from 37,900 kilometers to 50,400 kilometers, representing an increase of 32.98%. On 22 December 2025, the Guangzhou-Zhanjiang High-speed Railway (廣湛高鐵) and the Shantou-Shantou South section of the Shantou-Shanwei High-speed Railway (汕汕高鐵(汕頭至汕頭南段)) commenced operations on the same day, marking another step forward in developing the "Greater Bay Area on Rails (軌道上的大

灣區)". The Outline of the "14th Five-Year Plan" proposed to "advance the integration of transportation in city clusters and metropolitan areas, and accelerate the construction of intercity railways and urban/suburban railways". Today, these top-level designs have been implemented and become tangible benefits accessible to everyone.

With railways such as the Beijing-Tangshan Intercity Railway (京唐城際鐵路) and the Tianjin-Daxing Intercity Railway (津興城際鐵路) being put into operation, China Railway Beijing Group Co., Ltd.\* (中國鐵路北京局集團有限公司) currently has 18 high-speed railways under operations. In the Yangtze River Delta, the high-speed railway operating mileage exceeded 8,000 kilometers, with all prefecture-level cities except Zhoushan now accessible by bullet trains. The operation of Chongqing East-Qianjiang section of the Chongqing-Xiamen High-speed Railway (渝廈高鐵重慶東至黔江段) commenced and the construction of Chengdu-Chongqing Middle Line High-speed Railway (成渝中線高鐵) was underway. 19 major city clusters across the country are closely connected via high-speed railways. The completion and commissioning of modern comprehensive passenger hubs such as Beijing Tongzhou Station (北京通州站), Beijing Fengtai Station (北京豐台站) and Guangzhou Baiyun Station (廣州白雲站) have significantly improved the stability, accessibility and inclusiveness of the railway network.

In addition, for the year ended 31 December 2025, the revenue of the Group amounted to approximately RMB1,667.1 million, representing an increase of approximately 52.8% over the same period of last year; the net profit attributable to equity Shareholders of the Company amounted to approximately RMB284.4 million, representing an increase of approximately RMB335.2 million over the same period of last year; and earnings per Share amounted to approximately RMB0.32.

## Chairman's Statement

### 2026 OUTLOOK

According to the work meeting of China State Railway Group Co., Ltd. ("**State Railway Group**"), as of the end of 2025, the high-speed railway operating mileage in China exceeded 50,000 kilometers, further enhancing the industrial driving capacity and economic radiation effects. As at 30 December 2025, the newly constructed Beijing Tongzhou Station (北京通州站) of the Beijing-Tangshan Intercity Railway (京唐城際鐵路), located within the comprehensive transportation hub of Beijing Municipal Administrative Center, officially commenced operation, further improving the "1-hour" commuting circle in Beijing-Tianjin-Hebei regions. So far, China Railway Beijing Group Co., Ltd.\* (中國鐵路北京局集團有限公司) currently has 18 high-speed railways under operations, with a total mileage of 2,793.7 kilometers. The main framework for the rail transit in Beijing-Tianjin-Hebei regions has been basically established.

The main goals for railway operations in 2026 include: to maintain sustained stability in railway safety; to complete 4.402 billion national railway passenger trips, representing a year-on-year increase of 3.5%, and to deliver 4.13 billion tons of goods, representing a year-on-year increase of 1.5%; to fully complete the national railway investment, facilitating national key projects with high quality and putting more than 2,000 kilometers of new national railway lines into operation; and to insist on green development by pragmatically and steadily promoting railway carbon peak and carbon neutrality.

During the "14th Five-Year Plan" period, remarkable progress was made in railway development, marking a good start to the "15th Five-Year Plan". Currently, a number of major railway projects, scheduled to be completed and open to traffic during the "15th Five-Year Plan" period, are advancing steadily. In the future, a further densified and improved "Eight Vertical and Eight Horizontal (八縱八橫)" high-speed railway network will better serve and support the coordinated development of regions.

As a leading rail fastening system and railway sleeper provider in the railway industry of China, the Group will seize the market development opportunities, carry out research and development actively and stimulate innovation, participate in the formulation and revision of standards, and strive to improve product quality and service standards, with the aim of providing high-standard, quality rail fastening system products and railway sleeper products, so as to make our contribution to the high-level construction and safe operation of railways in China. Meanwhile, the Group will also actively explore opportunities for vertical expansion in the industry and enhance the core competitiveness and profitability of the Group with a diversified product offering, so as to give back to our Shareholders and investors.

Finally, I would like to express my sincere gratitude to our Directors, management team and all the staff members of the Company for their hard work in 2025. I also wish to extend my sincere gratitude to our Shareholders and business partners for their strong support over the past year.

**Zhang Haijun**

*Chairman*

Hebei, 26 March 2026

# MANAGEMENT DISCUSSION AND ANALYSIS



## Industrial Review and Analysis

In 2025, the Chinese economy maintained a stable growth momentum. According to the data released by the National Bureau of Statistics, the GDP for 2025 increased by 5.0% year-on-year at constant prices. The completed amount of national railway fixed asset investment in 2025 reached RMB901.5 billion, representing a year-on-year increase of 6.0%, while 3,109 kilometers of new railway lines, including 2,862 kilometers of high-speed railway lines, commenced operation, which fully demonstrated the role of railway investment in driving economic growth.

During the “14th Five-Year Plan” period, China State Railway Group Co., Ltd. (“**State Railway Group**”) adhered to the strategic positioning of making use of railway for the nation and the people. By emphasising on promoting network integration, filling network gaps and strengthening chain projects, it has basically established a vast modern railway network. Over the five years, national railway operating mileage increased from 146,300 kilometers to 165,000 kilometers, representing an increase of 12.8%, and high-speed railway operating mileage grew from 37,900 kilometers to 50,400 kilometers, representing an increase of 32.98%. On 22 December 2025, the Guangzhou-Zhanjiang High-speed Railway (廣湛高鐵) and the Shantou-Shantou South section of the Shantou-Shanwei High-speed Railway

(汕汕高鐵 (汕頭至汕頭南段)) commenced operations on the same day, marking another step forward in developing the “Greater Bay Area on Rails (軌道上的大灣區)”. The Outline of the “14th Five-Year Plan” proposed to “advance the integration of transportation in city clusters and metropolitan areas, and accelerate the construction of intercity railways and urban/suburban railways”. Today, these top-level designs have been implemented and become tangible benefits accessible to everyone.

With railways such as the Beijing-Tangshan Intercity Railway (京唐城際鐵路) and the Tianjin-Daxing Intercity Railway (津興城際鐵路) being put into operation, China Railway Beijing Group Co., Ltd.\* (中國鐵路北京局集團有限公司) currently has 18 high-speed railways under operations. In the Yangtze River Delta, the high-speed railway operating mileage exceeded 8,000 kilometers, with all prefecture-level cities except Zhoushan now accessible by bullet trains. The operation of Chongqing East-Qianjiang section of the Chongqing-Xiamen High-speed Railway (渝慶高鐵 重慶東至黔江段) commenced and the construction of Chengdu-Chongqing Middle Line High-speed Railway (成渝中線高鐵) was underway. 19 major city clusters across the country are closely connected via high-speed railways. The completion and commissioning of modern comprehensive passenger hubs such as Beijing Tongzhou Station (北京通

## Management Discussion and Analysis

州站), Beijing Fengtai Station (北京豐台站) and Guangzhou Baiyun Station (廣州白雲站) have significantly improved the stability, accessibility and inclusiveness of the railway network.

### BUSINESS REVIEW

The Group is a leading rail fastening system product provider in the PRC, with its major business focused on three business segments, including (1) rail fastening system products; (2) welding wire products; and (3) railway sleeper products. In 2025, total revenue of the Group amounted to approximately RMB1,667.1 million, representing an increase of approximately 52.8%.

### Rail Fastening System Products

For the year ended 31 December 2025, the revenue from rail fastening system products amounted to approximately RMB1,283.9 million, accounting for approximately 77.0% of the Group's total revenue. According to the data published by the National Railway Administration, national railway fixed asset investment increased by 6.0% year-on-year in 2025, while 3,109 kilometers of new railway lines, including 2,862 kilometers of high-speed railway lines, commenced operation. Affected by this, the Group's shipments of rail fastening system products increased in 2025, with

revenue from rail fastening system products increasing by approximately 90.4% from approximately RMB674.2 million in 2024.

During the year under review, the cost of sales relating to rail fastening system products increased by approximately 63.5% from approximately RMB440.1 million in 2024 to approximately RMB719.4 million in 2025, which was mainly attributable to the increase in shipments of rail fastening system products during the year under review.

As a result of the increase in revenue from rail fastening system products and changes in product structure, gross profit of rail fastening system products increased by approximately 141.1% from approximately RMB234.1 million in 2024 to approximately RMB564.5 million in 2025. At the same time, the gross profit margin of rail fastening system products increased from approximately 34.7% in 2024 to approximately 44.0% in 2025, which was mainly attributable to the combined effect of the increase in shipments of high-speed rail products with higher gross profit under the impact of the construction progress of railways and the decrease in raw material procurement prices during the year under review.



## Management Discussion and Analysis

During the year under review, the Group's initial value of the agreements entered into for supplying rail fastening systems was approximately RMB827.3 million, representing a decrease of approximately 26.1% as compared to 2024. Among which, the initial value of the agreements entered into for high-speed rail fastening systems amounted to approximately RMB533.7 million, representing a decrease of approximately 34.6% as compared to 2024; the initial value of the agreements entered into for urban transit fastening systems amounted to approximately RMB142.6 million; and the initial value of the agreements entered into for normal-speed rail fastening systems amounted to approximately RMB151.0 million. As of 31 December 2025, the backlog of the Group amounted to approximately RMB1,320.5 million (value-added tax inclusive).

### Welding Wire Products

For the year ended 31 December 2025, the revenue from welding wire products amounted to approximately RMB308.2 million, accounting for approximately 18.5% of the total revenue of the Group and representing a decrease of approximately 0.8% from approximately RMB310.6 million for the year of 2024. The decrease in revenue was mainly attributable to the decrease in unit price of welding wire products due to the impact of market competition during the year under review.

During the year under review, the cost of sales from welding wire products decreased by approximately 1.5% to approximately RMB305.8 million in 2025 from approximately RMB310.6 million in 2024, which was mainly attributable to a decrease in raw material procurement prices during the year under review.

The Group's revenue from welding wire products was mainly generated from the sales to shipbuilding companies and trading companies engaging in the shipbuilding industry. The Group expects to continue to collaborate with its existing major customers, and anticipates that such customers will continue to contribute to a significant portion of revenue of welding wire products in the future.

### Railway Sleeper Products

For the year ended 31 December 2025, the revenue from railway sleeper products was approximately RMB64.1 million, accounting for approximately 3.8% of the Group's total revenue and representing a decrease of approximately 30.6% from approximately RMB92.3 million in 2024. The change in revenue was mainly attributable to the decrease in shipments of railway sleeper products during the year under the impact of reduced demand in downstream markets.

During the year under review, the cost of sales of railway sleeper products decreased by approximately 34.1% from approximately RMB74.8 million in 2024 to approximately RMB49.3 million in 2025, mainly attributable to the decrease in sales volume of railway sleeper products.

## PERFORMANCE ANALYSIS AND DISCUSSION

### Revenue

The Group's business operations mainly comprise research and development, manufacturing and sales of rail fastening system products, welding wire products and railway sleeper products. The above business segments have brought sustained and stable revenue to the Group. National railway fixed asset investment increased by 6.0% year-on-year in 2025, while 3,109 kilometers of new railway lines, including 2,862 kilometers of high-speed railway lines, commenced operation. Affected by this, the Group's shipments of rail fastening system products increased in 2025, and the Group's revenue increased by 52.8% from approximately RMB1,090.7 million in 2024 to approximately RMB1,667.1 million in 2025.

Revenue related to rail fastening system products increased by approximately 90.4% from approximately RMB674.2 million in 2024 to approximately RMB1,283.9 million in 2025, which was attributable to the increase in shipments of rail fastening system products during the year under review under the impact of the continuous growth of investment in China's railway infrastructure.

## Management Discussion and Analysis

Revenue related to welding wire products decreased by approximately 0.8% from approximately RMB310.6 million in 2024 to approximately RMB308.2 million in 2025. The decrease in revenue from welding wire products was mainly attributable to the decrease in selling price of welding wire products during the year under review.

Revenue related to railway sleeper products decreased by approximately 30.6% from approximately RMB92.3 million in 2024 to approximately RMB64.1 million in 2025. The decrease in revenue from railway sleeper products was mainly attributable to the decrease in shipments of railway sleeper products during the year under the impact of reduced demand in downstream markets during the year under review.

Apart from revenue from sales of rail fastening system products, welding wire products and railway sleeper products, the Group also received other operating revenue from sales of raw materials, the provision of product processing services as well as electricity sales business.

### Operating Cost

The Group's operating cost increased by approximately 29.3% to approximately RMB1,082.6 million in 2025 from approximately RMB837.6 million in 2024. The increase in cost during the year under review was mainly due to the increase in shipments of rail fastening system.

Operating cost related to rail fastening system products increased by approximately 63.5% to approximately RMB719.4 million in 2025 from approximately RMB440.1 million in 2024. This fluctuation was mainly due to the increase in shipments of rail fastening system products during the year under review.

Operating cost related to welding wire products decreased by approximately 1.5% to approximately RMB305.8 million in 2025 from approximately RMB310.6 million in 2024. The decrease in cost was mainly attributable to the decrease in raw material procurement prices during the year under review.

Operating cost related to railway sleeper products decreased by approximately 34.1% to approximately RMB49.3 million in 2025 from approximately RMB74.8 million in 2024. The decrease in cost was mainly attributable to the decrease in the sales volume of railway sleeper products during the year under review.

### Gross Profit

Based on the aforesaid reasons, the Group recorded a gross profit of approximately RMB584.5 million in 2025, representing a year-on-year increase of approximately 130.9% as compared to the gross profit of approximately RMB253.1 million in 2024, which was mainly due to the increase in shipments of rail fastening system products and the decrease in raw material procurement prices during the year under review.

Gross profit of rail fastening system products increased by approximately 141.1% from approximately RMB234.1 million in 2024 to approximately RMB564.5 million in 2025, and the gross profit margin increased from approximately 34.7% in 2024 to approximately 44.0% in 2025, which was mainly attributable to the increase in shipments of high-speed railways products with higher gross profit under the impact of the construction progress of railways and the decrease in raw material procurement prices during the year under review.

Gross profit of welding wire products increased from approximately RMB-0.04 million in 2024 to approximately RMB2.4 million in the same period of 2025, and the gross profit margin increased from approximately -0.01% in 2024 to approximately 0.8% in the same period of 2025, which was mainly attributable to the decrease in the raw material procurement prices.

Gross profit of railway sleeper products decreased by approximately 15.4% to approximately RMB14.8 million in 2025 from approximately RMB17.5 million in 2024. The decrease in gross profit was mainly due to the decrease in sales volume of the railway sleeper products during the year under review.

## Management Discussion and Analysis

### Selling Expenses

Selling expenses of the Group increased to approximately RMB22.6 million in 2025 from approximately RMB20.7 million in 2024. For the years ended 31 December 2024 and 2025, selling expenses as a percentage of total revenue accounted for approximately 1.9% and 1.4%, respectively. The increase in selling expenses was mainly attributable to the increase in the Company's certification costs for product test during the year under review.

### Management Expenses

Management expenses of the Group increased to approximately RMB111.2 million in 2025 from approximately RMB92.5 million in 2024. For the years ended 31 December 2024 and 2025, management expenses as a percentage of total revenue accounted for approximately 8.5% and 6.7%, respectively. The increase in management expenses was mainly due to the increase in shipments of high-speed railway products and the higher technology transfer fee provided during the year under review.

### Research and Development Expenses

Research and development expenses of the Group increased to approximately RMB45.8 million in 2025 from approximately RMB27.4 million in 2024. The increase in research and development expenses was mainly due to the Group's increased efforts in developing new products in response to the robust market demand during the year under review. For the years ended 31 December 2024 and 2025, research and development expenses as a percentage of total revenue accounted for approximately 2.5% and 2.7%, respectively.

### Finance Costs

In 2025, the Group incurred total finance costs of approximately RMB17.2 million, representing a year-on-year decrease of approximately 4.4% as compared to total finance costs of approximately RMB18.0 million in 2024. Under this category, interest income increased by approximately 30.8% to approximately RMB1.7 million in 2025 from approximately RMB1.3 million in 2024. Interest costs were approximately RMB18.1 million in 2024 and approximately RMB18.1 million in 2025. The increase in interest income was mainly due to the increase in recovery of receivables during the year under review, resulting in an increase in monetary capital retained by the Group.

### Investment Gains

In 2025, the Group's investment gains totalled approximately RMB68.7 million while the investment gains totalled approximately RMB14.9 million in 2024, mainly due to the growth in profits achieved by the associates during the year under review. The Group recorded an aggregate of approximately RMB68.7 million in share of investment gains from associates and joint ventures in 2025 while the share of investment gains were approximately RMB23.4 million in 2024.

### Gains/Losses from Changes in Fair Value

The Group did not incur losses from changes in fair value in 2025, while the losses from changes in fair value totalled approximately RMB59.6 million in 2024, which was mainly attributable to the change (up to the date of disposal) in price of securities of Hong Kong listed companies in 2024.

### Loss on Credit Impairment

Loss on credit impairment of the Group decreased to approximately RMB27.1 million in 2025 from approximately RMB64.2 million in 2024. The decrease in loss on credit impairment was mainly due to the decrease in loss on credit impairment under the expected credit loss model provided by the Company as a result of the shorter recovery cycle of receivables with the Group's increased efforts in the collection of receivables during the year under review.

## Management Discussion and Analysis

### Impairment Loss of Assets

Impairment loss of assets of the Group increased to approximately RMB77.2 million in 2025 from approximately RMB34.8 million in 2024. The increase in impairment loss of assets was primarily due to the increase in impairment loss of goodwill provided during the year under review.

### Total Profit/(Losses)

Based on the aforesaid reasons, the Group recorded total profit of approximately RMB333.6 million in 2025, representing a year-on-year increase of approximately RMB391.3 million as compared to total losses of approximately RMB57.7 million recorded in 2024, which was mainly attributable to the increase in the Group's operating revenue of RMB576.3 million and gross profit of approximately RMB331.45 million under the impact of the continuous growth of investment in China's railway infrastructure.

### Income Tax

Income tax expenses of the Group increased to approximately RMB48.8 million in 2025 from approximately RMB-6.7 million in 2024, which was mainly attributable to increase in total profit during the year under review.

The applicable corporate income tax rate for the Company and its subsidiary Xingtai Juneng Railway Electrical Equipment Co, Ltd.\* (邢台炬能鐵路電氣器材有限公司) was 15% for 2025. The applicable tax rates for other subsidiaries in Mainland China were 25% and 20% for 2025.

### Net Profit/Losses

Based on the aforesaid reasons, net profit amounted to approximately RMB284.8 million in 2025, as compared to net losses of approximately RMB51.0 million in 2024. Net profit margin increased to approximately 17.1% for the year under review from approximately -4.7% for the year ended 31 December 2024.

### Net Profit/Losses Attributable to Owners of the Parent

The Group's net profit attributable to owners of the parent amounted to approximately RMB284.4 million in 2025, as compared to net losses attributable to owners of the parent of approximately RMB50.8 million in 2024. In 2025, basic earnings per Share amounted to approximately RMB0.32, as compared to the basic losses per Share of approximately RMB0.06 in 2024.

### Financial Resources and Capital Structure

As at 31 December 2025, the Group had cash and cash equivalents of approximately RMB229.6 million, accounts receivable of approximately RMB1,504.6 million, accounts payable of approximately RMB445.1 million, and outstanding borrowings of approximately RMB539.0 million. As at 31 December 2025, the above cash and cash equivalents included approximately RMB2,000 equivalents of Hong Kong dollars.

As at 31 December 2024, the Group had cash and cash equivalents of approximately RMB101.0 million, accounts receivable of approximately RMB1,193.1 million, accounts payable of approximately RMB391.7 million, and outstanding borrowings of approximately RMB602.2 million. As at 31 December 2024, the above cash and cash equivalents included approximately RMB0.7 million equivalents of Hong Kong dollars.

\* For identification purpose only

## Management Discussion and Analysis

The Group usually satisfies its daily working capital requirements through self-owned cash and borrowings. In December 2016, the Company completed its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and issued a total of 224,460,000 H Shares.

As at 31 December 2025, the outstanding borrowings of the Group included total short-term borrowings of approximately RMB21.0 million, total non-current liabilities of approximately RMB1,658,000 due within one year and total long-term borrowings of approximately RMB352.2 million. The Group will promptly repay the aforesaid borrowings when due.

### Total Assets

As at 31 December 2025, the total assets of the Group were approximately RMB3,815.6 million, representing an increase of approximately RMB314.1 million or approximately 9.0% from those as at 31 December 2024, which was mainly attributable to the robust market demand during the year under review, resulting in an increase in accounts receivable at the end of the year.

### Total Liabilities

As at 31 December 2025, the total liabilities of the Group were approximately RMB1,154.7 million, representing an increase of approximately RMB47.6 million or approximately 4.3% from those as at 31 December 2024, which was mainly attributable to the Group’s increased procurement in response to the robust market demand during the year under review, resulting in an increase in accounts payable at the end of the year.

### Total Equity

As at 31 December 2025, the total equity of the Group was approximately RMB2,660.9 million, representing an increase of approximately RMB266.5 million from that as at 31 December 2024, which was mainly attributable to the increase in earning balance of the Group during the year under review.

### Gearing Ratio

The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as total Shareholders’ equity as shown in the consolidated balance sheet plus the aforementioned net debt.

As at 31 December 2025, the Group’s gearing ratio was 10.4%, representing a decrease of 6.9% as compared to 17.3% as at 31 December 2024, which was mainly attributable to the combined effect of the performance growth of the Group and the improvement in recovery of receivables during the year under review.

For details of credit risk, liquidity risk, interest risk and foreign exchange risk, please refer to Note IX to the Financial Statements.

### Charges on Assets

For details of the charges on assets of the Group at the end of the period, please refer to Note V(l) 20 to the Financial Statements.

### Contingent Liabilities

For details of contingent liabilities, please refer to Note XII to the Financial Statements.

### Employees, Remuneration Policies and Pension Schemes

As at 31 December 2025, the Group incurred total staff costs of approximately RMB110.5 million for 1,267 employees, representing an increase of approximately RMB1.2 million or approximately 1.1% as compared to the same period of 2024, which was mainly attributable to the increased remuneration resulting from performance growth during the year under review.

## Management Discussion and Analysis

The Group sets employee remuneration standards based on employees' qualifications, positions and average industry levels, and offers rewards based on the Group's operating performance and the performance of individual employees.

In addition, in order to recognise and acknowledge the contributions that employees have made or may make to the Group, the Company has adopted a share award scheme, under which the Board may grant awards of H Shares to any full-time employee of the Group in accordance with the rules of the share award scheme. For further information, please refer to the section headed "H Share Award Scheme" below.

Pursuant to the relevant labour laws, regulations and rules of the PRC, the Group participates in the basic pension insurance scheme (the "**Basic Pension Insurance Scheme**") established by the PRC government for all its employees. For the year ended 31 December 2025, the Group made contributions to the Basic Pension Insurance Scheme at a fixed rate of 16% of the payment base (2024: 16%), which is calculated with reference to the average salary of the overall employees announced by the government from time to time. For the year ended 31 December 2025, employees were required to make contributions to the Basic Pension Insurance Scheme at a fixed rate of 8% of the said payment base (2024: 8%). Upon reaching the statutory retirement age, employees will receive a basic pension on a monthly basis. For the year ended 31 December 2025, the Group's contributions to basic pension insurance premiums amounted to approximately RMB10.18 million (2024: RMB10.02 million). The increase over the previous year was mainly due to the higher payment base of basic pension premiums during the year.

There is no forfeited contribution under the Basic Pension Insurance Scheme which may be used by the Group as employer to reduce the contribution payable in the future years.

For the year ended 31 December 2025, the Group had no defined benefit plan.

# BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Zhang Haijun (張海軍)**, aged 73, is the founder of the Company, executive Director and chairman of our Group who is responsible for the overall business development strategies of our Group. He is the chairman of Strategy Committee. Mr. Zhang has been a Director, chairman of the Board and the legal representative of our Company since its establishment on 9 April 2001. Mr. Zhang had also been the general manager of our Company since its establishment until July 2015. He is a qualified senior economist and engineer in the PRC. He graduated from Hebei Province Agriculture Broadcasting Television School\* (河北省農業廣播電視學校) of the PRC with a diploma in agriculture in October 1993. He graduated from Shijiazhuang City Technology Cadre Education Institute\* (石家莊市科技幹部教育學院) of the PRC with a diploma in corporate management in July 1995.

Mr. Zhang was engaged in the management of manufacturing enterprises in the PRC prior to founding our Group. In March 1990, Mr. Zhang, together with Mr. Zhang Xiaosuo (張小鎖) and other individuals, established Hebei Province Gaocheng City Lianzhou Rolling Mill\* (河北省藁城市廉州軋鋼廠), a collectively owned enterprise in the PRC engaged in the manufacture of rolling steel products, where Mr. Zhang served as the legal representative and factory director and was responsible for overall business and factory management. From May 1993 to July 1998, he was the chairman and general manager of Gaocheng City Yichen Industrial Trading Co., Ltd.\* (藁城市翼辰工貿公司), which was principally engaged in manufacturing of different metal products and trading of industrial goods, where he was responsible for its overall business and corporate management.

From May 1989 to March 2001, Mr. Zhang was the deputy supervisor of Nanshangzhuang Village Committee of Lianzhou Township, Gaocheng City\* (藁城市廉州鎮南尚莊村委會) of the PRC. He was a representative of Gaocheng City People's Congress\* (藁城市人民代表大會) of the PRC, Hebei Province People's Congress\* (河北省人民代表大會) of the PRC and the 12th and 13th Shijiazhuang City People's Congress\* (石家莊市第十二屆及第十三屆人民代表大會) of the PRC. He was also the deputy chairman of Shijiazhuang City Private Enterprises Association\* (石家莊市私營企業協會) from 2006 to 2015, the chairman of Gaocheng District Private Enterprises Association\* (藁城區私營企業協會) from 2006 to 2015 and a standing member and the deputy chairman of the third council of Hebei Province Private Enterprises Association\* (河北省私營企業協會第三屆理事會). He was a member of the Standing Committee of Gaocheng People's Congress\* (藁城區人民代表大會常務委員會).

**Mr. Wu Jinyu (吳金玉)**, aged 56, is the executive Director of the Company and chief financial officer of our Group who is responsible for the overall day-to-day financial management of our Group. He is a member of Remuneration Committee and Strategy Committee. From 2 December 2021 to 30 December 2025, he was a member of Nomination Committee. Mr. Wu has been appointed as a Director since our Company's establishment on 9 April 2001. He is a qualified senior accountant in the PRC. He graduated from Shijiazhuang City Technology Cadre Education Institute in the PRC with a diploma in accounting in July 1999. He then graduated from Hebei Province Chinese Accounting Correspondence School\* (河北省中華會計函授學校) in the PRC with a part time diploma in accounting in June 2002.

From March 1995 to April 2001, Mr. Wu was an accountant of Gaocheng City Yichen Industrial Trading Co., Ltd. and was responsible for handling accounting matters. He had served as the head of finance of our Company responsible for the overall financial management and reporting matters since April 2001 and was then appointed as the chief financial officer in January 2012.

\* For identification purpose only

## Biographical Details of Directors, Supervisors and Senior Management

**Mr. Zhang Lihuan (張力歡)**, aged 43, is the executive Director of the Company. Mr. Zhang joined our Group in August 2009 and served as manager of the welding material business division from August 2009 to January 2023 and was appointed as a Director on 27 July 2015. He has been serving as the general manager of Hebei Yichen Welding Co., Ltd. (河北翼辰焊業有限公司) since January 2023, responsible for the overall day-to-day management. Mr. Zhang completed an online diploma course in business administration at Central China Normal University (華中師範大學) in the PRC in January 2016, and served as a representative of the People's Congress of Gaocheng District, Shijiazhuang City, Hebei Province from July 2021, a manager of Hebei Yichen Packaging Products Co., Ltd.\* (河北翼辰包裝製品有限公司) from March 2024, and a manager of Hebei Yichen International Trade Co., Ltd.\* (河北翼辰國際貿易有限公司) from March 2025.

**Mr. Zhang Chao (張超)**, aged 40, is the executive Director of the Company and the secretary to the Board who is responsible for overseeing the overall business operation and Board secretarial work of our Group. He is a member of Corporate Governance Committee. Mr. Zhang joined our Group in January 2012 as secretary to the Board and was appointed as a Director on 27 July 2015, and served as a joint company secretary of the Company from December 2015 to January 2023. Mr. Zhang graduated from University of Shanghai for Science and Technology (上海理工大學) in the PRC with a bachelor's degree in thermal energy and power engineering in July 2009.

**Ms. Ma Xuehui (馬學輝)**, aged 44, is the executive Director of the Company who is responsible for the day-to-day management of the Group's quality management department and quality inspection centre. Ms. Ma joined the Company in May 2002, serving successively as quality management staff, and deputy chief and chief of quality management department. She was appointed as a member of Nomination Committee on 30 December 2025. She has been the chief of quality inspection centre and deputy chief engineer of the Group since December 2015 and January 2018, respectively. Ms. Ma graduated from Hebei University of Engineering (河北工程大學) in June 2020 with a bachelor's degree in mechanical design, manufacturing and automation. She has been a qualified engineer in the PRC specialising in machinery since December 2020 and a qualified senior engineer specialising in machine manufacturing of mechanical engineering since December 2025.

### NON-EXECUTIVE DIRECTOR

**Ms. Zheng Zhixing (鄭知行)**, aged 41, is the non-executive Director of the Company. She was appointed as the non-executive Director of the Company on 13 September 2022. Ms. Zheng is a Chartered Financial Analyst (CFA) and graduated from Southern Illinois University, USA in August 2009 with a master's degree in economics and finance. From February 2012 to June 2014, Ms. Zheng worked in the research centre of Zero2IPO Group (清科集團). Ms. Zheng joined Beijing Infrastructure Investment Co., Ltd\* (北京市基礎設施投資有限公司) in July 2014. She currently serves as a senior investment manager of the investment and development headquarters. Ms. Zheng has served as a director of Beijing Zhongguancun Microcredit Co., Ltd\* (北京市中關村小額貸款股份有限公司) since December 2021.

\* For identification purpose only

## Biographical Details of Directors, Supervisors and Senior Management

**INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Mr. Jip Ki Chi (葉奇志)**, aged 56, is the independent non-executive Director of the Company, the chairman of Audit Committee and Corporate Governance Committee and a member of Remuneration Committee. Mr. Jip was appointed as an independent non-executive Director on 30 November 2015 and the lead independent non-executive Director on 30 December 2025. He was admitted as a Certified Practising Accountant of the Australian Society of Certified Practising Accountants (currently known as CPA Australia) in October 1997. He obtained his qualification as a fellow member of Hong Kong Institute of Certified Public Accountants in October 2007. Mr. Jip graduated from Queensland University of Technology, Australia with a bachelor's degree of business in accountancy in March 1994. He then graduated from University of Adelaide, Australia with a master's degree in business administration in August 2008.

The table below summarises Mr. Jip's working experience in the past several years:

Period of time	Name of employer	Principal business activities of employer	Office	Principal functions
October 2005 to April 2007	Total Sino Limited	Design, engineering and manufacturing of a wide range of children entertainment products	Financial controller	Preparation of monthly consolidated financial and management accounts and budgets, control and update of financial and accounting systems
June 2007 to November 2010	Aceso Life Science Group Limited (stock code: 474; formerly known as Hao Tian Development Group Limited)	Money lending business, trading of securities investment, trading of futures and trading of commodities business	Financial controller, company secretary, qualified accountant and authorised representative	Liaison and communication with the Stock Exchange and SFC, liaison with internal and external auditors and legal advisors, preparation of monthly consolidated financial and management accounts and budgets, monitoring and update of financial and accounting systems
November 2010 to August 2012	Zhong Da Mining Limited	Mining of iron ore in the PRC	Chief financial officer and company secretary	Preparation of financial reporting and internal control and compliance with applicable laws of Hong Kong
September 2012 to November 2013	Hui Xiang Group	Mining and financial services	Chief financial officer and company secretary	Preparation of financial reporting and internal control and compliance with applicable laws of Hong Kong

From November 2013 to November 2022, Mr. Jip was an independent non-executive director of China MeiDong Auto Holdings Limited (stock code: 1268), whose shares are listed on the Main Board of the Stock Exchange. Since September 2014, Mr. Jip has been serving as the chief financial officer and company secretary of Qing Hua Holding Group Company Limited (formerly known as Yeah Yeah Group Holdings Limited) (stock code: 8082), whose shares are listed on GEM of the Stock Exchange.

## Biographical Details of Directors, Supervisors and Senior Management

**Mr. Wang Fujun (王福聚)**, aged 65, is the independent non-executive Director of the Company, the chairman of Nomination Committee and a member of Audit Committee and Corporate Governance Committee. Mr. Wang was appointed as an independent non-executive Director on 31 May 2022. He is a senior engineer in the PRC. He graduated from School of Distance Learning of Southwest Jiaotong University (西南交通大學網絡教育學院) with a bachelor's degree in mechanical design, manufacturing and its automation in August 2007.

From August 1981 to October 2003, Mr. Wang worked successively as an apprentice, technician, head of safety chamber, deputy superintendent, superintendent and deputy secretary of the Party Committee in the Jinan works section of Jinan Branch of Jinan Railway Administration\* (濟南鐵路局濟南分局). From November 2003 to November 2008, Mr. Wang worked successively as the head of public works branch, head of Jinan lands branch, deputy head of construction project management centre and deputy head of engineering management office in Jinan Branch of Jinan Railway Administration\* (濟南鐵路局濟南分局). From December 2008 to September 2010, Mr. Wang worked successively as an engineer and deputy head of the preparation group in Dezhou-Dajawa Railway Company Limited\* (德大鐵路有限公司) and deputy general manager of Delongyan Railway Co., Ltd\* (德龍煙鐵路有限責任公司). From October 2010 to August 2020, Mr. Wang worked successively as the superintendent and deputy secretary of the Party Committee of the Jinan works section of Jinan Railway Administration\* (濟南鐵路局), superintendent and deputy secretary of the Party Committee of the Zibo works section, head of the department of People's Armed Forces and combat readiness centre and head of security department of China Railway Jinan Group Company Limited\* (中國鐵路濟南局集團有限公司).

From October 2020 to October 2021, Mr. Wang was a director of Shandong Jitie Machinery Equipment Group Company Limited\* (山東濟鐵機務裝備集團有限公司), Shandong Jitie Engineering Construction Group Company Limited\* (山東濟鐵工程建設集團有限公司) and Jinan Railway Materials Industrial Group Company Limited\* (濟南鐵路物資工業集團有限公司).

**Mr. Zhang Ligu (張立國)**, aged 68, is the independent non-executive Director of the Company, the chairman of Remuneration Committee, and a member of Audit Committee, Nomination Committee and Strategy Committee. Mr. Zhang was appointed as an independent non-executive Director on 30 November 2015. He is a senior engineer in the PRC. He graduated from Northern Jiaotong University (北方交通大學) (currently known as Beijing Jiaotong University (北京交通大學)) in the PRC with a bachelor's degree in railway architecture in January 1982.

From February 1982 to June 2004, Mr. Zhang had successively been an engineer, senior engineer and head of the railway division of the Professional Design Institute of the Ministry of Railways (鐵道部專業設計院). From July 2004 to June 2006, Mr. Zhang had successively headed the railway academy and technology section of Railway Engineering Consulting Group Co., Ltd. (中鐵工程設計諮詢集團有限公司). From July 2006 to March 2018, Mr. Zhang had been a deputy chief engineer of Railway Engineering Consulting Group Co., Ltd. (mainly engaged in major integrated survey and design consultation), taking charge of railway design and overall business operation.

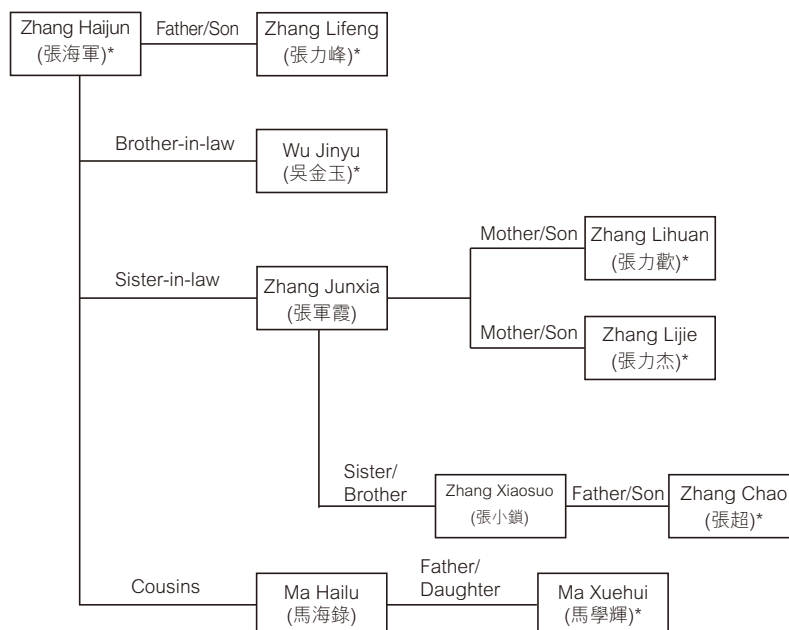
From December 2017 to December 2023, Mr. Zhang was the independent director of Zhejiang Tiantie Industry Co., Ltd. (浙江天鐵實業股份有限公司) (the shares of which are listed on the ChiNext of the Shenzhen Stock Exchange, stock code: 300587). From April 2018 to April 2022, Mr. Zhang was a special expert of CCCC Railway Consultants Group Co., Ltd (中交鐵道設計研究總院有限公司). Since April 2022, Mr. Zhang has been a special expert of Tieke Design Co., Ltd (鐵科設計有限公司).

\* For identification purpose only

Biographical Details of Directors, Supervisors and Senior Management

**FAMILY RELATIONSHIP AMONG MEMBERS OF THE BOARD AND SENIOR MANAGEMENT**

As at the date of this annual report, the family relationship among the members of the Board and senior management is as follows.



Note: The individuals with \* mark are Directors and/or senior management.

Save as disclosed above, none of the Directors and senior management has any family relationship with each other.

## Biographical Details of Directors, Supervisors and Senior Management

**SUPERVISORS**

**Mr. Guan En (管恩)**, aged 38, is a Supervisor of the Company and the chairman of Supervisory Board since July 2019. He graduated from Hebei University of Science and Technology\* (河北科技大學) with a bachelor's degree in automation in 2013. From July 2013 to May 2015, Mr. Guan worked as a technician at Shijiazhuang Kelin Electric Company Limited\* (石家莊科林電氣股份有限公司). Mr. Guan joined the Group in June 2015 as an electronics engineer. Mr. Guan is experienced in electronic engineering practices.

**Mr. Liu Jianbin (劉建賓)**, aged 48, is a Supervisor of the Company since July 2019. He graduated from Hebei Institute of Technology\* (河北理工學院) in 2000, majoring in thermal engineering. From June 2000 to March 2008, Mr. Liu worked as a production technician and technical professional of Gaocheng Electric Components Factory\* (藁城市電工構件廠). Mr. Liu joined the Group in March 2008 as a deputy director for machine repair workshop and is currently the director of the technical department. Mr. Liu has extensive experience in corporate management. He was admitted as a qualified senior engineer in the PRC specialising in mechanical design in December 2022.

**Mr. Zhou Hao (周浩)**, aged 39, graduated from Shanghai Normal University (上海師範大學) in 2011, majoring in computer management. He served as a procurement officer in the procurement department of the Company from May 2012 to April 2013 and a sales officer in the sales department of the Company from May 2013 to April 2014. Since September 2015, he has been serving as an accountant in the finance department of the Company. Since September 2019, he has been serving as the head of finance of Xingtai Juneng Railway Electrical Equipment Co., Ltd.\* (邢台炬能鐵路電氣器材有限公司), responsible for its daily financial work. Since April 2023, he has been serving as the person-in-charge of the finance department of Guizhou Juneng Railway Transit Co., Ltd.\* (貴州炬能軌道交通有限公司), responsible for its overall financial work.

**SENIOR MANAGEMENT**

**Mr. Zhang Lifeng (張力峰)**, aged 45, is the Company's general manager. Mr. Zhang was appointed as the general manager of the Company on 24 June 2020. He joined the Group in August 2003 as our deputy general manager, responsible for the Company's overall business and operations management. Mr. Zhang completed an online diploma course in business administration at Central China Normal University (華中師範大學) in the PRC in January 2016. Mr. Zhang served as the chairman of the board of Xingtai Juneng Railway Electrical Equipment Co., Ltd.\* (邢台炬能鐵路電氣器材有限公司) from August 2019, the legal representative of Hebei Yichen Welding Co., Ltd. (河北翼辰焊業有限公司) from January 2023, the legal representative and director of Hebei Chentong Construction Engineering Co., Ltd\* (河北辰通建設工程有限公司) from February 2024, the legal representative and executive director of Hebei Yichen Packaging Products Co., Ltd.\* (河北翼辰包裝製品有限公司) from March 2024, and the legal representative and director of Hebei Yichen International Trade Co., Ltd.\* (河北翼辰國際貿易有限公司) from March 2025.

**Mr. Zhang Fengxuan (張風選)**, aged 72, is the Company's deputy general manager who is responsible for the overall day-to-day management of production safety and human resources of our Group. Mr. Zhang is a mechanical engineer in the PRC. He graduated from Shijiazhuang City Technology Cadre Education Institute\* (石家莊市科技幹部教育學院) in the PRC with a diploma in machinery in December 2001.

From August 1996 to August 2002, Mr. Zhang was the factory head of Hebei Province Gaocheng City Lianzhou Rolling Mill\* (河北省藁城市廉州軋鋼廠) and was responsible for its overall production. He joined our Group in September 2002 as a manager of the welding material business division and served as our deputy general manager from January 2012 to December 2025.

## Biographical Details of Directors, Supervisors and Senior Management

**Mr. Zhang Lijie (張力杰)**, aged 46, is the Company's deputy general manager who is responsible for the overall day-to-day management of procurement of our Group. He graduated from Shijiazhuang Vocational and Technology Institute\* (石家莊職業技術學院) in the PRC with a diploma in modern secretary in July 2003.

Mr. Zhang joined our Group as the office supervisor of our welding material business division in August 2003. He served as the supervisor of our supplies department in December 2009 and was promoted to our deputy general manager in January 2012.

**Mr. An Baoyun (安保雲)**, aged 66, is a deputy general manager of the Company who is responsible for the overall day-to-day management of the Group's Beijing office. Mr. An joined the Group in February 2004, and successively worked as a business officer at the market department and head of the Beijing office. He was promoted to deputy general manager in December 2019.

\* For identification purpose only

# REPORT OF THE BOARD OF DIRECTORS

## PRINCIPAL BUSINESS

For the year ended 31 December 2025, the Company is principally engaged in research and development, manufacturing and sales of rail fastening system products, welding wire products and railway sleeper products.

## SHARE CAPITAL

As at 31 December 2025, the total share capital of the Company was RMB448,920,000, divided into 897,840,000 Shares (comprising 673,380,000 Domestic Shares and 224,460,000 H Shares) of nominal value of RMB0.50 each. Details of movements of the Company's share capital during the year of 2025 are set out in Note V(l) 33 to the consolidated financial statements.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2025, the relevant trustee of the H Share Award Scheme of the Company purchased 1,500,000 H Shares of the Company from the market, at the weighted average purchase price of approximately RMB2.03 per Share, which are intended for the employee incentive plan.

Other than as disclosed under the section headed "H Share Award Scheme", neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company (including sale of treasury shares (as defined under the Listing Rules)) during the year ended 31 December 2025. As at 31 December 2025, there were no treasury shares (as defined under the Listing Rules) held by the Company.

## DEBENTURES IN ISSUE

The Company did not have any debentures in issue for the year ended 31 December 2025.

## EQUITY-LINKED AGREEMENT

The Company did not enter into any equity-linked agreement, nor did any equity-linked agreement exist during the year ended 31 December 2025.

## PERMITTED INDEMNITY PROVISION

The Company has purchased appropriate liability insurance for its Directors, Supervisors and senior management. The permitted indemnity provisions are set out in such liability insurance.

## RISK FACTORS

The Group's current operation and development are subject to individual factors to a certain extent, which mainly include:

### 1. Risk of Market Competition

Increase in demand of China's railway transportation has led to a significant increase in demand of rail fastening system. Growth in rail fastening system market has driven further expansion in production capacity of both Sino-foreign equity joint ventures and domestic new suppliers of rail fastening system. If our current or potential competitors offer services or products comparable or superior to those we offer at the same or lower prices, develop more advanced technology and upgrade their capacity, or adapt more quickly than we do to evolving industry trends or changing market conditions, we may lose our customers to competitors. The pricing, recognition and loyalty to our brand of products and the financial and technical resources allocated to our products may be adversely affected if competing rail fastening systems, domestic or foreign, gain a competitive advantage. The Company shall actively respond to the market challenges and utilise its advantages with quality products and professional services for markets and customers in order to further consolidate and enhance its industry position.

## Report of the Board of Directors

## 2. Progress of Railway Construction Projects and Timing of Final Inspection and Acceptance of the Relevant Railway Construction Projects

Revenue from our rail fastening system products is recognised when our customers have completed inspection and accepted the products and recovery of the related receivables is reasonably assured. We are generally required to provide a specified amount or a certain percentage with reference to the tender amount as deposit (the “**Tender Deposit**”) when we submit tenders, and a deposit of 1% to 10% of our contracted amount (generally in the form of letter of guarantee issued by banks) as performance bond with our customers (the “**Performance Bond**”) when we enter into contracts with them. The Tender Deposit will be returned to us upon the publication of the results of the tender irrespective of whether we win the tender. The Performance Bond is generally released or payable to us by our customers following the final inspection and acceptance of the relevant railway construction projects. Our customers generally withhold 5% to 20% of each invoiced amount (the “**Retention Money**”) for the project and release to us after deducting any warranty claims, if any, upon expiry of the warranty period. The warranty period may be in various forms: (i) six months to two years beginning from the date of completion of the customers’ railway construction projects; or (ii) until the completion of the customers’ railway construction projects. As such, our results of operation, trade receivables and other receivables are closely tied to the progress of the railway construction projects and the timing of final inspection and acceptance of the relevant railway construction projects. Any changes to the progress of the projects and the timing of the final inspection and acceptance of our products would affect our business, financial condition and results of operation. The Company will actively catch on the progress of railway construction projects and adjust its delivery arrangement based on such progress so as to minimise any loss arising from delay of construction.

## RELATIONSHIP WITH EMPLOYEES

Since employees are the foundation for development, the Group adheres to the “people-oriented” principle in its human resources management, offers equal employment opportunities and prohibits any occupational discrimination. The Group reviews its remuneration policies of employees on a regular basis and awards bonuses and commission to employees based on their annual performance evaluation. Efforts have also been made to help employees in the aspects of housing, transportation and safety and health, etc.

In accordance with the relevant labour laws, regulations and rules of the PRC, the Group participates in the Basic Pension Insurance Scheme (the “**Basic Pension Insurance Scheme**”) established by the PRC government for all its employees. For the year ended 31 December 2025, the Group makes contributions to the Basic Pension Insurance Scheme at a fixed rate of 16% of the contribution base (2024: 16%), which is calculated based on the average salary of the overall employees announced by the government from time to time. For the year ended 31 December 2025, employees are required to make contributions to the Basic Pension Insurance Scheme at a fixed rate of 8% of the contribution base (2024: 8%). After reaching the statutory retirement age, employees will receive a basic pension on a monthly basis. For the year ended 31 December 2025, the Group’s contributions to basic pension premiums amounted to approximately RMB10.18 million (2024: RMB10.02 million). The increase from the last year was mainly due to the increase in the contribution base of basic pension premiums during the year.

There are no forfeited contributions under the Basic Pension Insurance Scheme available to the Group (as employer) to reduce contributions payable in future years.

The Group had no defined benefit plan for the year ended 31 December 2025.

## Report of the Board of Directors

### RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group strives to build and maintain long term and strong relationships with customers. The Company's business department conducts customer satisfaction surveys from time to time with a view to understand and fulfill customers' demands and enhance their satisfaction. For suppliers, the Group's objective is to keep mutually beneficial and win-win partnerships with all of them. At the same time, the Group regularly evaluates the performance of our suppliers.

### BUSINESS REVIEW

A fair review of the business of the Group during the year ended 31 December 2025, a discussion about the Group's future business development and an analysis of the Group's performance using key financial performance indicators are set out in the sections headed "Business Review" and "Performance Analysis and Discussion" in the "Management Discussion and Analysis" of this annual report.

For information about the Group's environmental policies and performance, please refer to the section headed "Environmental, Social and Governance Report" of this annual report.

In addition, a description of the principal risks and uncertainties facing the Group and a discussion of the Group's key relationships with its employees, customers and suppliers, which have a significant impact on the Group and are the factors determining the Group's success, are included in the sections headed "Risk Factors", "Relationship with Employees" and "Relationship with Customers and Suppliers" of this "Report of the Board of Directors".

All the aforementioned sections and parts of this annual report constitute a part of the "Business Review" contained in the "Report of the Board of Directors".

For the financial year ended 31 December 2025, the Group has strictly complied with relevant laws and regulations which have material impact on the Company, and did not receive any punishment from the relevant regulatory authorities.

### Future Prospects

According to the work meeting of China State Railway Group Co., Ltd. ("**State Railway Group**"), the main goals for railway operations in 2026 include: to maintain sustained stability in railway safety; to complete 4.402 billion national railway passenger trips, representing a year-on-year increase of 3.5%, and to deliver 4.13 billion tons of goods, representing a year-on-year increase of 1.5%; to fully complete the national railway investment, facilitating national key projects with high quality and putting more than 2,000 kilometers of new national railway lines into operation; and to insist on green development by pragmatically and steadily promoting railway carbon peak and carbon neutrality.

By 2030, the operating mileage of railways in China will reach approximately 180,000 kilometers, of which approximately 60,000 kilometers will be high-speed railways, which will basically form a world-class modern railway network in China.

As a leading rail fastening system and railway sleeper provider in the railway industry of China, the Group will seize the market development opportunities, carry out research and development actively and stimulate innovation, participate in the formulation and revision of standards, and strive to improve product quality and service standards, with the aim of providing high-standard, quality rail fastening system products and railway sleeper products, so as to make our contribution to the high-level construction and safe operation of railways in China. Meanwhile, the Group will also actively explore opportunities for vertical expansion in the industry and enhance the core competitiveness and profitability of the Group with a diversified product offering, so as to give back to our Shareholders and investors.

### ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Thursday, 28 May 2026. Shareholders may refer to the circular, notice and form of proxy of the AGM issued by the Company for details regarding the meeting.

## Report of the Board of Directors

## FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of RMB0.0111 per Share (tax inclusive) for the year ended 31 December 2025 (the “**2025 Final Dividend**”) with an aggregate net amount of RMB9,966,024 to the shareholders whose names appear on the Company’s register of members as at Friday, 5 June 2026, subject to the approval by the shareholders at the forthcoming AGM to be held on Thursday, 28 May 2026. Subject to the passing of the relevant resolution at the AGM, the 2025 Final Dividend is expected to be paid on or around 21 July 2026.

## DIVIDEND POLICY

The Company has adopted a dividend policy (the “**Dividend Policy**”), pursuant to which the Company may declare and pay dividends to its Shareholders. Any decision to declare and pay dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year shall be subject to Shareholders’ approval. The Board will review the Dividend Policy from time to time in light of our results of operation, cash flows, financial condition, Shareholders’ interests, capital requirements, general business conditions and strategies, the payment of cash dividends by our subsidiaries to us, and other factors the Board may deem relevant in determining whether dividends shall be declared and paid.

## WITHHOLDING AND PAYMENT OF INCOME TAX ON BEHALF OF OVERSEAS SHAREHOLDERS

According to the Articles of Association of the Company, dividends shall be denominated and declared in Renminbi. Dividends on Domestic Shares shall be paid in Renminbi and dividends on H Shares shall be paid in foreign currencies. The relevant exchange rate shall be the average middle exchange rate as announced by the People’s Bank of China for one calendar week prior to the date of declaration of dividends.

In accordance with the tax laws and relevant requirements under taxation regulatory institutions of the PRC, the Company is required to withhold 10% enterprise income tax when it distributes the 2025 Final Dividend to all non-resident enterprise shareholders (including HKSCC Nominees Limited, other nominees, trustees or other entities and organisations, who will be deemed as non-resident enterprise shareholders) whose names appear on the H share register of members of the Company on Friday, 5 June 2026.

Pursuant to the “Notice on the Tax Policies Related to the Pilot Program of Interconnection Mechanism for Transactions in the Shanghai-Hong Kong Stock Connect” (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) (the “**Shanghai-Hong Kong Stock Connect Tax Policy**”) jointly issued by the Ministry of Finance of the PRC, the State Taxation Administration and China Securities Regulatory Commission, the dividends derived from the investment by a domestic corporate investor in stocks listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect will be included in its total income and subject to enterprise income tax according to the law. In particular, dividends received by resident enterprises in the Mainland which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to the law. In respect of the dividends received by domestic corporate investors, H share companies listed on the Stock Exchange will not withhold income tax on dividends for such corporate investors. The tax payable shall be reported and paid by the enterprises themselves.

As such, when distributing the 2025 Final Dividend pursuant to the register of members of domestic corporate investors as holders of H shares of the Company as at Friday, 5 June 2026 provided by China Securities Depository and Clearing Corporation Limited (“**CSDC**”), the Company shall not withhold income tax on dividends for domestic corporate investors. The tax payable shall be reported and paid by the enterprises themselves.

## Report of the Board of Directors

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Tentative Measures on Withholding and Payment of Individual Income Tax (《個人所得稅代扣代繳暫行辦法》), the Shanghai-Hong Kong Stock Connect Tax Policy (《滬港通稅收政策》) and other relevant laws and regulations and based on the Company's consultation with the relevant PRC tax authorities, the Company is required to withhold and pay 20% of individual income tax for the Company's individual H shareholders whose names appear on the H share register of members of the Company (the "**Individual H Shareholders**").

Pursuant to the Shanghai-Hong Kong Stock Connect Tax Policy, for dividends received by domestic individual investors from the investment in H shares listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect, the H share companies listed on the Stock Exchange shall withhold individual income tax at a rate of 20%. For dividends received by domestic securities investment funds from the investment in shares listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect, it is subject to the individual income tax based on the same requirements in respect of such domestic individual investors.

As such, when distributing the 2025 Final Dividend pursuant to the register of members of domestic individual investors (including domestic securities investment funds) as holders of H shares of the Company as at Friday, 5 June 2026 provided by CSDC, the Company shall withhold and pay individual income tax in accordance with the requirements mentioned above on behalf of the investors.

Pursuant to the "Notice on Matters concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045" (《關於國稅發[1993]045號檔廢止後有關個人所得稅徵管問題的通知》) (the "**Tax Notice**") issued by the State Taxation Administration and the letter titled "Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies" issued by the Stock Exchange, the overseas resident individual shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions on the tax treaties between the countries where they reside and China and the tax arrangements between Mainland China and Hong Kong (Macau). The Company shall identify the residential status of Individual H Shareholders according to their registered addresses on the H share register of members of the Company on Friday, 5 June 2026 (the "**Registered Address**"). The Company assumes no responsibility and disclaims any liability whatsoever in relation to the tax status or tax treatment of the Individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the Individual H Shareholders or any disputes over the withholding mechanism or arrangements. Details of the arrangements are as follows:

- For Individual H Shareholders who are Hong Kong or Macau residents or residents of another country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these Individual H Shareholders in the distribution of final dividend;

## Report of the Board of Directors

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

If the domicile of an Individual H Shareholder is not the same as the Registered Address or if the Individual H Shareholder would like to apply for a refund of the final excess amount of tax withheld and paid, he or she shall notify and provide relevant supporting documents to the Company on or before Tuesday, 2 June 2026. Upon examination of the supporting documents by the relevant tax authorities, the Company will comply with the guidelines of the tax authorities to implement regulations and arrangements related to withholding and payment. Individual H Shareholders may carry out the relevant procedures on their own or through representatives in accordance with the relevant requirements under the "Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties" (Guo Shui Fa [2015] No. 60) (《非居民納稅人享受稅收協定待遇管理辦法》(國稅發[2015]60號)) if they fail to provide the relevant supporting documents to the Company before the time limit stated above.

Shareholders are recommended to consult their tax advisers regarding the PRC, Hong Kong and other tax implications arising from their holding and disposal of H shares of the Company.

## CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders who are entitled to attend and vote at the AGM to be held on Thursday, 28 May 2026, the register of members of the Company will be closed from Friday, 22 May 2026 to Thursday, 28 May 2026 (both days inclusive), during which no transfer of shares will be registered. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company on Thursday, 28 May 2026 are entitled to attend and vote at this AGM. Holders of H shares of the Company intending to attend and vote at the AGM shall lodge all share transfer documents together with the relevant H Share certificates with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 21 May 2026 (Hong Kong time) for share transfer registration.

## Report of the Board of Directors

In order to determine the list of shareholders who are entitled to the 2025 Final Dividend, the register of members of the Company will be closed from Wednesday, 3 June 2026 to Friday, 5 June 2026 (both days inclusive), during which no transfer of shares will be registered. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company on Friday, 5 June 2026 are entitled to the 2025 Final Dividend. Holders of H shares of the Company intending to receive the 2025 Final Dividend shall lodge all share transfer documents together with the relevant H Share certificates with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 2 June 2026 (Hong Kong time) for share transfer registration.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the applicable laws and regulations of the PRC where the Company is incorporated.

### NON-COMPETE UNDERTAKING

The Controlling Shareholders of the Company have given the irrevocable non-compete undertaking (as defined in the prospectus of the Company dated 9 December 2016) in favour of the Company (the "**Non-compete Undertaking**"). Each of the Controlling Shareholders has hereby confirmed and declared that, during the financial year ended 31 December 2025, he/she had complied with the Non-compete Undertaking without any breach thereof.

All the independent non-executive Directors have reviewed the matters relating to the enforcement of the Non-compete Undertaking and consider that the terms of the Non-compete Undertaking have been complied with by each of the Controlling Shareholders.

### MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2025, the sales revenue from our five largest customers and the largest customer accounted for 52.96% and 20.74% of the Group's operating revenue, respectively.

During the period, the procurement expenses to our five largest suppliers and the largest supplier accounted for 49.43% and 26.36% of the Group's total procurement expenses, respectively.

To the knowledge of the Directors, none of the Directors of the Company, any of their close associates, or any Shareholders (who, to the knowledge of the Directors, own more than 5% of the Company's issued share capital (excluding treasury shares)) had any beneficial interest in the Group's five largest customers or five largest suppliers.

### PROGRESS OF INVESTMENT PROJECTS

As at 31 December 2025, the main production workshop and warehouse in our new production facilities had been put into operation, relevant production equipment had been installed and debugged, and commenced operation. Our new office building has been put into operation.

### BANK BORROWINGS AND OTHER BORROWINGS

Details of the bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2025 are set out in Notes V(l) 21, 28 and 30 to the consolidated financial statements.

### DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company had distributable reserves denominated in Renminbi of approximately RMB1,412.9 million. The reserves were calculated according to the PRC laws and regulations and the PRC Accounting Standards.

### CHARITABLE DONATION

For the charitable donation made by the Group during the year ended 31 December 2025, please refer to the section headed "B8 Community Investment" in the "Environmental, Social and Governance Report" for details.

## Report of the Board of Directors

## FIXED ASSETS, CONSTRUCTION IN PROGRESS AND INTANGIBLE ASSETS

Movements in the fixed assets, construction in progress, and intangible assets of the Company and its subsidiaries for the year are set out in Notes V(l) 12, 13 and 15 to the consolidated financial statements, respectively.

## SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 12 January 2026, the Company and certain shareholders of Hebei Chenxiang Electricity Sales Co., Ltd.\* (河北辰翔售電有限公司) (hereinafter referred to as the Vendors) entered into an equity transfer agreement (the “**Equity Transfer Agreement**”), pursuant to which the Company conditionally agreed to acquire 86.22% of the equity interest in Hebei Chenxiang Electricity Sales Co., Ltd. held by the Vendors for a consideration of RMB135,000,000 subject to the terms and conditions of the Equity Transfer Agreement. The Company will convene an extraordinary general meeting for independent shareholders, who are not materially interested in the Equity Transfer Agreement and the transactions contemplated thereunder, to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder. Please refer to the Company’s announcement dated 12 January 2026 for details.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries and affiliated companies and no significant investment held during the year ended 31 December 2025.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the year ended 31 December 2025, details of Directors, Supervisors and senior management of the Company are set out in the section headed “Biographical Details of Directors, Supervisors and Senior Management” of this annual report.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers that each of the independent non-executive Directors is independent of the Company.

## SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into a service contract or letter of appointment with each of our Directors, for all of them the term starts from 2 December 2024 and ends on 1 December 2027, unless otherwise terminated by the Company by way of ordinary resolutions of the Shareholders at a general meeting of the Company in accordance with the applicable laws of the PRC and Hong Kong. The appointments are subject to the relevant provisions of the Articles of Association with regard to vacation and removal of office of Directors and retirement by rotation of Directors.

The Company has entered into a service contract with each of our Supervisors, pursuant to which they agreed to act as Supervisors. For all Supervisors, the term starts from 2 December 2024 and ends on 1 December 2027, unless otherwise terminated by the Company by giving to the relevant Supervisor not less than three months’ written notice at any time after expiry of the first year during the term of his/her appointment. The appointments are subject to the provisions of the Articles of Association with regard to vacation and removal of office of Supervisors and retirement by rotation of Supervisors.

The Company has entered into with each of the Directors and Supervisors a contract in respect of, among others, compliance of relevant laws and regulations and observations of the Articles of Association of the Company and provision on arbitration. Save as disclosed above, none of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## Report of the Board of Directors

### DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

Details of remuneration of Directors and Supervisors of the Company for the year ended 31 December 2025 are set forth in Note XI(II) 5 to the audited consolidated financial statements.

The Remuneration Committee of the Company reviews and determines the remuneration and compensation packages of our Directors and senior management with reference to the salaries paid by comparable companies, their respective time commitment and responsibilities and the performance of the Group.

The range of remuneration of senior management (other than Directors and Supervisors as disclosed in Note XI(II) 5 to the consolidated financial statements) for the year ended 31 December 2025 is as follows:

Remuneration bands	Number of individuals
RMB300,001 to RMB400,000	3

### DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Apart from as disclosed under the section headed "Continuing Connected Transactions" of this report, at the end of the year or at any time during the year, there was no transaction, arrangement or contract of significance to the Group's business in which the Company or its subsidiaries was a party, either directly or indirectly, and in which a Director or Supervisor or an entity connected with the Director or Supervisor had a material interest, either directly or indirectly, subsisted during the year or at the end of the year.

There was also no contract of significance for the provision of services to the Company or its subsidiaries by a Controlling Shareholder or any of its subsidiaries.

### INTEREST OF DIRECTORS IN COMPETING BUSINESS AND CONFLICT OF INTERESTS

During the year of 2025, Directors and their associates did not have any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group or had any other conflict of interests with the Group.

## Report of the Board of Directors

## INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2025, so far as known to the Directors of the Company, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code (including those they are taken or deemed to have under such provisions of the SFO) were as follows:

Long positions in the Domestic Shares of the Company:

Name	Capacity	Personal interest	Interest of spouse	Number of Shares		Approximate percentage of shareholding in the relevant class of Shares (%) (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (%) (Note 3)
				Deemed interest pursuant to Section 317 of the SFO (Note 1)	Total number		
Mr. Zhang Haijun (張海軍)	Director	128,426,480	N/A	444,426,294	572,852,774	85.07	63.80
Mr. Zhang Lifeng (張力峰)	Chief Executive Officer	16,643,140	N/A	556,209,634	572,582,774	85.07	63.80
Mr. Wu Jinyu (吳金玉)	Director	28,219,706	N/A	544,633,068	572,852,774	85.07	63.80
Mr. Zhang Chao (張超)	Director	17,205,163	N/A	555,647,611	572,852,774	85.07	63.80
Mr. Zhang Lihuan (張力歡)	Director	17,202,679	N/A	555,650,095	572,852,774	85.07	63.80

Notes:

- (1) The relevant parties are members of the Controlling Shareholders Group (as defined below). On 17 December 2020, they entered into a written agreement to, among others, confirm their acting-in-concert agreement. All the members of the Controlling Shareholders Group jointly controlled approximately 63.80% of the total share capital of our Company. Under the SFO, each member of the Controlling Shareholders Group is deemed to be interested in the Shares beneficially owned by other members of the Controlling Shareholders Group.
- (2) Based on the total number of 673,380,000 Domestic Shares in issue.
- (3) Based on the total number of 897,840,000 Shares in issue.

Save as disclosed above, as at 31 December 2025, none of the Directors, Supervisors or chief executives of the Company had an interest and short position in the Shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Report of the Board of Directors

**SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 31 December 2025, so far as is known to the Directors, the interests or short positions of the persons (other than a Director, Supervisor or chief executive of the Company) in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions in the Shares of the Company:

Name	Class of Shares	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares (%) (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (%) (Note 3)
Ms. Zhou Qiuju (周秋菊) (Note 4)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Ms. Zhang Junxia (張軍霞) (Note 1)	Domestic Shares	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	83,873,136 488,979,638		
			572,852,774	85.07%	63.80%
Ms. Zhang Xiaoxia (張小霞) (Note 5)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Zhang Xiaogeng (張小更) (Note 1)	Domestic Shares	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	83,477,508 489,375,266		
			572,852,774	85.07%	63.80%
Ms. Liu Jiao (劉姣) (Note 6)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Zhang Xiaosuo (張小鎖) (Note 1)	Domestic Shares	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	83,675,322 489,177,452		
			572,852,774	85.07%	63.80%
Ms. Sun Shujing (孫書京) (Note 7)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Ms. Zhang Xiaoxia (張曉霞) (Note 8)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Zhang Ligang (張立剛) (Note 1)	Domestic Shares	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	26,355,534 546,497,240		
			572,582,774	85.07%	63.80%

## Report of the Board of Directors

Name	Class of Shares	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares (%) (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (%) (Note 3)
Ms. Zhai Junping (翟軍平) (Note 9)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Ms. Zhang Weihuan (張偉環) (Note 10)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Zhang Lijie (張力杰) (Note 1)	Domestic Shares	Beneficial owner	17,202,679		
		Deemed interest pursuant to Section 317 of the SFO	555,650,095		
			572,852,774	85.07%	63.80%
Ms. Liu Lixia (劉麗霞) (Note 11)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Ms. Yang Yunjuan (楊雲娟) (Note 12)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Ms. Zhang Yanfeng (張艷峰) (Note 1)	Domestic Shares	Beneficial owner	17,207,647		
		Deemed interest pursuant to Section 317 of the SFO	555,645,127		
			572,852,774	85.07%	63.80%
Mr. Zhang Weiwei (張偉衛) (Note 13)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Zhang Libin (張力斌) (Note 1)	Domestic Shares	Beneficial owner	16,643,140		
		Deemed interest pursuant to Section 317 of the SFO	556,209,634		
			572,852,774	85.07%	63.80%
Ms. Yin Yanping (尹彥萍) (Note 14)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Zhang Ning (張寧) (Note 1)	Domestic Shares	Beneficial owner	17,205,163		
		Deemed interest pursuant to Section 317 of the SFO	555,647,611		
			572,852,774	85.07%	63.80%
Ms. Huang Li (黃麗) (Note 15)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Ms. Zhang Hong (張宏) (Note 1)	Domestic Shares	Beneficial owner	17,207,647		
		Deemed interest pursuant to Section 317 of the SFO	555,645,127		
			572,852,774	85.07%	63.80%

## Report of the Board of Directors

Name	Class of Shares	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares (%) (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (%) (Note 3)
Mr. Liu Chaohui (劉朝輝) (Note 16)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Zhang Ruiqiu (張瑞秋) (Note 1)	Domestic Shares	Beneficial owner	2,307,830		
		Deemed interest pursuant to Section 317 of the SFO	570,544,944		
			572,852,774	85.07%	63.80%
Ms. Gao Xiangrong (高香榮) (Note 17)	Domestic Shares	Interest of spouse	572,852,774	85.07%	63.80%
Mr. Guo Zhongyan (郭中彥)	H Shares	Beneficial owner	25,031,000	11.15%	2.79%
Mr. Wang Lei (汪磊) ("Mr. Wang") (Note 18)	H Shares	Interest of controlled corporation	25,595,000	11.40%	2.85%
Ms. Zhang Zimo (張紫墨) ("Ms. Zhang") (Note 18)	H Shares	Interest of spouse	25,595,000	11.40%	2.85%
Wanglei Co., Ltd. (Note 18)	H Shares	Interest of controlled corporation	25,595,000	11.40%	2.85%
Moomoo Trustee (Singapore) Pte. Ltd. (Note 18)	H Shares	Trustee	25,595,000	11.40%	2.85%
Cyber Warrior Holdings Limited (Note 18)	H Shares	Interest of controlled corporation	25,595,000	11.40%	2.85%
Brainstorming Cafe Limited (Note 18)	H Shares	Interest of controlled corporation	25,595,000	11.40%	2.85%
Flowing Cloud Technology Ltd (Note 18)	H Shares	Beneficial owner	25,595,000	11.40%	2.85%
Beijing Infrastructure Investment Co., Ltd.* (北京市基礎設施投資有限公司) (Note 19)	H Shares	Interest of controlled corporation	38,102,000	16.97%	4.24%
Beijing Infrastructure Investment (Hong Kong) Limited (Note 19)	H Shares	Beneficial owner	38,102,000	16.97%	4.24%
Shijiazhuang Guokong Urban Development & Investment Group Co., Ltd. * (石家莊國控城市發展投資集團有限責任公司, formerly known as: Shijiazhuang State-owned Holding Investment Group Company Limited (石家莊國控投資集團有限責任公司)) (Note 20)	H Shares	Interest of controlled corporation	20,300,000	9.04%	2.26%
GUOKONG (HONG KONG) INVESTMENT CO., LIMITED (Note 20)	H Shares	Beneficial owner	20,300,000	9.04%	2.26%

\* For identification only

## Report of the Board of Directors

## Notes:

- (1) A group of 15 individuals, namely Mr. Zhang Haijun (張海軍), Ms. Zhang Junxia (張軍霞), Mr. Zhang Xiaogeng (張小更), Mr. Zhang Xiaosuo (張小鎖), Mr. Zhang Ligang (張立剛), Mr. Wu Jinyu (吳金玉), Mr. Zhang Chao (張超), Mr. Zhang Lijie (張力杰), Mr. Zhang Lifeng (張力峰), Ms. Zhang Yanfeng (張艷峰), Mr. Zhang Libin (張力斌), Mr. Zhang Lihuan (張力歡), Mr. Zhang Ning (張寧), Ms. Zhang Hong (張宏) and Mr. Zhang Ruiqiu (張瑞秋), are collectively the controlling shareholders of the Company (the “**Controlling Shareholders Group**”). On 17 December 2020, they entered into a written agreement to, among others, confirm their acting-in concert agreement. All the members of the Controlling Shareholders Group together controlled approximately 63.80% of the total share capital of our Company. Under the SFO, each member of the Controlling Shareholders Group will be deemed to be interested in the Shares beneficially owned by other members of the Controlling Shareholders Group.
- (2) Based on the total number of 673,380,000 Domestic Shares in issue or 224,460,000 H Shares in issue.
- (3) Based on the total number of 897,840,000 Shares in issue.
- (4) Ms. Zhou Qiuju (周秋菊) is the spouse of Mr. Zhang Haijun (張海軍). Under the SFO, Ms. Zhou Qiuju is deemed to be interested in the same number of Shares in which Mr. Zhang Haijun is interested.
- (5) Ms. Zhang Xiaoxia (張小霞) is the spouse of Mr. Zhang Xiaosuo (張小鎖). Under the SFO, Ms. Zhang Xiaoxia is deemed to be interested in the same number of Shares in which Mr. Zhang Xiaosuo is interested.
- (6) Ms. Liu Jiao (劉姣) is the spouse of Mr. Zhang Libin (張力斌). Under the SFO, Ms. Liu Jiao is deemed to be interested in the same number of Shares in which Mr. Zhang Libin is interested.
- (7) Ms. Sun Shujing (孫書京) is the spouse of Mr. Zhang Xiaogeng (張小更). Under the SFO, Ms. Sun Shujing is deemed to be interested in the same number of Shares in which Mr. Zhang Xiaogeng is interested.
- (8) Ms. Zhang Xiaoxia (張曉霞) is the spouse of Mr. Wu Jinyu (吳金玉). Under the SFO, Ms. Zhang Xiaoxia is deemed to be interested in the same number of Shares in which Mr. Wu Jinyu is interested.
- (9) Ms. Zhai Junping (翟軍平) is the spouse of Mr. Zhang Ligang (張立剛). Under the SFO, Ms. Zhai Junping is deemed to be interested in the same number of Shares in which Mr. Zhang Ligang is interested.
- (10) Ms. Zhang Weihuan (張偉環) is the spouse of Mr. Zhang Chao (張超). Under the SFO, Ms. Zhang Weihuan is deemed to be interested in the same number of Shares in which Mr. Zhang Chao is interested.
- (11) Ms. Liu Lixia (劉麗霞) is the spouse of Mr. Zhang Lijie (張力杰). Under the SFO, Ms. Liu Lixia is deemed to be interested in the same number of Shares in which Mr. Zhang Lijie is interested.
- (12) Ms. Yang Yunjuan (楊雲娟) is the spouse of Mr. Zhang Lifeng (張力峰). Under the SFO, Ms. Yang Yunjuan is deemed to be interested in the same number of Shares in which Mr. Zhang Lifeng is interested.
- (13) Mr. Zhang Weiwei (張偉衛) is the spouse of Ms. Zhang Yanfeng (張艷峰). Under the SFO, Mr. Zhang Weiwei is deemed to be interested in the same number of Shares in which Ms. Zhang Yanfeng is interested.
- (14) Ms. Yin Yanping (尹彥萍) is the spouse of Mr. Zhang Lihuan (張力歡). Under the SFO, Ms. Yin Yanping is deemed to be interested in the same number of Shares in which Mr. Zhang Lihuan is interested.
- (15) Ms. Huang Li (黃麗) is the spouse of Mr. Zhang Ning (張寧). Under the SFO, Ms. Huang Li is deemed to be interested in the same number of Shares in which Mr. Zhang Ning is interested.
- (16) Mr. Liu Chaohui (劉朝輝) is the spouse of Ms. Zhang Hong (張宏). Under the SFO, Mr. Liu Chaohui is deemed to be interested in the same number of Shares in which Ms. Zhang Hong is interested.
- (17) Ms. Gao Xiangrong (高香榮) is the spouse of Mr. Zhang Ruiqiu (張瑞秋). Under the SFO, Ms. Gao Xiangrong is deemed to be interested in the same number of Shares in which Mr. Zhang Ruiqiu is interested.
- (18) To the best of the knowledge, information and belief of the Directors and based on the shareholding disclosures made by substantial Shareholders pursuant to Part XV of the SFO,
- the 25,595,000 H Shares are held by Flowing Cloud Technology Ltd;
  - Flowing Cloud Technology Ltd is controlled as to approximately 30.91% by Brainstorming Cafe Limited, which is in turn owned as to approximately 70% by Cyber Warrior Holdings Limited and 30% by Wanglei Co., Ltd.;
  - Cyber Warrior Holdings Limited is controlled as to 100% by Moomoo Trustee (Singapore) Pte. Ltd., a trustee under Waterstones Trust, a discretionary trust of which Mr. Wang is the settlor and protector;
  - Ms. Zhang is the spouse of Mr. Wang; and

## Report of the Board of Directors

- Accordingly, under the SFO, each of Mr. Wang, Mr. Li, Moomoo Trustee (Singapore) Pte. Ltd., Cyber Warrior Holdings Limited and Brainstorming Cafe Limited is taken to be interested in the H Shares in which Flowing Cloud Technology Ltd is interested, Mr. Wang is taken to be interested in the H Shares held in trust under Waterstones Trust, and Ms. Zhang is deemed to be interested in the H Shares in which Mr. Wang is interested.
- (19) These 38,102,000 H Shares are held by Beijing Infrastructure Investment (Hong Kong) Limited, which is wholly owned by Beijing Infrastructure Investment Co., Ltd.\* (北京市基礎設施投資有限公司). Under the SFO, Beijing Infrastructure Investment Co., Ltd. is deemed to be interested in the H Shares beneficially owned by Beijing Infrastructure Investment (Hong Kong) Limited.
- (20) These 20,300,000 H Shares are held by GUOKONG (HONG KONG) INVESTMENT CO., LIMITED, which is wholly owned by Shijiazhuang Guokong Urban Development & Investment Group Co., Ltd. (石家莊國控城市發展投資集團有限責任公司). Under the SFO, Shijiazhuang Guokong Urban Development & Investment Group Co., Ltd. is deemed to be interested in the H Shares beneficially owned by GUOKONG (HONG KONG) INVESTMENT CO., LIMITED.

Save as disclosed above, as at 31 December 2025, no person (other than Directors, Supervisors and chief executives of the Company, whose interests are set out in the section headed “Interests and Short Positions of the Directors, Supervisors and Chief Executives in the Shares, Underlying Shares and Debentures” above) had registered any interest or short position in the Shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

### INSURANCE FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the date of this report, the Company had bought effective liability insurance for Directors, Supervisors and senior management.

### RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

During the reporting period, no right to subscribe the Shares or debentures of the Company or any of its associated corporations was granted by the Company and its subsidiaries to any Director, Supervisor and chief executive of the Company or their respective spouses or children aged over 18, and no such rights to subscribe the above Shares or debentures were exercised by them.

### H SHARE AWARD SCHEME

The Company adopted an H share award scheme (the “**Scheme**”) pursuant to a special resolution passed by the shareholders at the extraordinary general meeting of the Company held on 13 September 2022 (the “**Adoption Date**”).

Persons eligible for the share awards under the Scheme (the “**Awards**”) include any full-time employee of (i) any direct or indirect holding company of the Company or (ii) any direct or indirect subsidiary of the Company who is not a connected person (the “**Eligible Participants**”). The purpose of the Scheme is to recognise and acknowledge the contributions which have been or may be made by the Eligible Participants to the Group.

The Board shall be entitled at any time during the continuation of the Scheme to grant Awards to any of the Eligible Participants such number of H Shares as it shall determine pursuant to the Scheme. A grant of an Award shall be made to an Eligible Participant by way of a grant letter to be issued by the Company, and the Board may impose any conditions, restrictions or limitations before the Award can be vested as it sees fit by setting out the same in the grant letter. There is no amount payable on acceptance of the awards prescribed in the rules of the Scheme.

\* For identification only

## Report of the Board of Directors

The Company has appointed Equiom Fiduciary Services (Hong Kong) Limited as the initial trustee (the “Trustee”) to assist in the administration of the Scheme. The Board shall, after having regard to the requirements in relation to the grant of Awards as stated in the rules of the Scheme, the Listing Rules, the applicable laws and regulations and all relevant circumstances and affairs of the Group (including but not limited to the Group’s business and operational conditions, its business plans and cash flow requirements currently and in the near future), cause to be paid to the Trustee (or its nominee) such amount as may be required for the purchase of existing H Shares from the market and the related purchase expenses (including all such necessary fees, stamp duty, levies and expenses required for the completion of the purchase of all the awarded Shares, as applicable). For the avoidance of doubt, the Board shall neither issue nor instruct the Trustee (or its nominee) to subscribe for any new H Shares for the purpose of satisfying any Award or otherwise in relation to the Scheme. The Trustee may purchase the H Shares on the Stock Exchange at the prevailing market price (subject to such maximum price as may be from time to time prescribed by the Board). The Trustee (and its nominee) shall not subscribe for any new H Shares in any event. Upon granting an Award under the Scheme, the Board shall notify the Trustee in writing and provide substantially the same information as stated in the relevant grant letter. The Board may from time to time, at its discretion, determine the earliest Vesting Date and other subsequent date(s), if any, provided that the awarded Shares held by the Trustee upon trust in relation to a Grantee shall vest in that Grantee.

The Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date but may be terminated earlier as determined by passing of resolutions at the general meeting by the Shareholders and/or if so authorised by the Shareholders and the Board. Unless so terminated, the remaining life of the Scheme will last until 12 September 2032.

Under the Scheme, the Board shall not make any further Award which will result in the number of H Shares awarded by the Board under the Scheme exceeding 10% of the issued H Shares as at the Adoption Date. Accordingly, the maximum number of H Shares which may be awarded under the Scheme is 22,446,000 H Shares. Since the Adoption Date and up to the date of this annual report, no Award has been granted, vested, cancelled or lapsed under the Scheme. Therefore, as at the date of this annual report, the number of Shares available for Awards under the Scheme was 22,446,000 H Shares, representing 10% of the number of issued H Shares. There is no specific limit on the maximum number of Shares that may be granted to a single Eligible Participant under the Scheme.

During the year ended 31 December 2025, the Trustee (or its nominee) purchased 1,500,000 H Shares from the market under the Scheme. As at the date of this annual report, the number of unvested and outstanding H Shares held by the Trustee (or its nominee) of the Scheme was 10,732,000.

Pursuant to Rule 17.05A of the Listing Rules, trustees holding unvested Shares of the share award schemes of the Company, whether directly or indirectly, shall abstain from voting on matters that require Shareholders’ approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner’s direction and such a direction is given.

Please refer to the circular of the Company dated 18 August 2022 for further details.

## MANAGEMENT CONTRACTS

The Company did not enter into or establish any management and administrative contracts relating to all or any material part of its business with any individual during 2025.

\* For identification only

## Report of the Board of Directors

### SIGNIFICANT CONTRACTS

Apart from as disclosed under the section headed “Continuing Connected Transactions” of this report, neither the Company nor any of its subsidiaries has signed significant contracts with the Controlling Shareholder or (if the Controlling Shareholder is a company) any of its subsidiaries other than the Group, and no significant contract for delivery of service has been signed between the Group and the Controlling Shareholder or any of its subsidiaries other than the Group.

### CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2025, the Company had conducted the following continuing connected transactions:

On 1 November 2023, Hebei Chenteng Power Sales Co., Ltd.\* (河北辰騰售電有限公司) (“**Hebei Chenteng**”) as supplier and the Company as consumer entered into the high voltage electricity supply contract (the “**Electricity Purchase Agreement**”), pursuant to which Hebei Chenteng shall supply electricity to the Company for a term of three years from 1 November 2023 to 31 October 2026. The Directors expected that the aggregate amount of the consideration payable by the Company to Hebei Chenteng in connection with the purchase of electricity under the Electricity Purchase Agreement would not exceed RMB5 million for the year ending 31 December 2023 (applicable to the period from 1 November 2023 to 31 December 2023). Pursuant to the Company’s announcement dated 29 August 2024, the Board has resolved to revise the then-existing annual caps for the remaining term of the Electricity Purchase Agreement and to adopt the revised annual caps as follows: RMB56 million for the year ending 31 December 2024, RMB56 million for the year ending 31 December 2025, and RMB47 million for the year ending 31 December 2026 (applicable to the period from 1 January 2026 to 31 October 2026).

Hebei Chenteng shall charge for the supply of electricity based on the records of the electricity meters, and the electricity charges approved by the price administration department and/or other governmental authority(ies) or the electricity charges formed in accordance with the price for purchase of electricity by Hebei Chenteng from the market. The electricity charges shall include relevant fees to be charged alongside charges for electricity supply as prescribed by the state. During the term of the Electricity Purchase Agreement, the electricity charges and the rate of other applicable fees shall be subject to adjustment in accordance with the policies that may be issued by the relevant governmental authorities from time to time (if any). Based on the amount of electricity consumed as recorded by the electricity meters and the electricity charges per unit determined based on the mechanism as set out in the announcements of the Company dated 1 November 2023 and 29 August 2024, payment shall be made by the Company to Hebei Chenteng on a monthly basis.

As a manufacturing business of an established operating scale, the Company considers a stable supply of electricity to be of the utmost importance given that it is instrumental in securing the uninterrupted operation of the Company’s production lines and other business functions. By entering into the Electricity Purchase Agreement, the Company would be assured of a reliable electricity supply over a three-year term at rates determined through a standard pricing mechanism that accords with the relevant local laws and regulations and the market practice. In addition, Hebei Chenteng has received approval for its incremental distribution network and has been authorised to carry out distribution and electricity sales businesses within its approved operating area, which covers the site of operations of the Company. Hebei Chenteng is therefore the authorised electricity supplier of the Company. Hebei Chenteng will also be in a position to provide the Company with prompt replies and assistance and, where necessary, onsite troubleshooting and support in connection with matters concerning electricity supply and consumption. From an operational perspective, it is advantageous to the Company to procure the supply of electricity from Hebei Chenteng.

\* For identification purpose only

## Report of the Board of Directors

Hebei Chenteng was owned as to 100% by Hebei Chenxiang Power Sales Co., Ltd.\* (河北辰翔售電有限公司), which was in turn owned as to an aggregate of approximately 78.19% by the Controlling Shareholders. As a 30%-controlled company and hence an associate of the Controlling Shareholders, Hebei Chenteng was a connected person of the Company. The transactions contemplated under the Electricity Purchase Agreement constituted continuing connected transactions under Chapter 14A of the Listing Rules.

During the period from 1 January 2025 to 31 December 2025, the aggregate amount of the consideration payable by the Company to Hebei Chenteng in connection with the purchase of electricity under the Electricity Purchase Agreement amounted to approximately RMB48.8 million (value added tax inclusive).

For details, please refer to the announcements of the Company dated 1 November 2023 and 29 August 2024.

### Confirmation of Independent Non-Executive Directors

The independent non-executive Directors had reviewed the abovementioned continuing connected transactions and confirmed the transactions were conducted:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms, or if the comparable transactions could not be relied on to judge whether the terms of the transactions were normal commercial terms, as far as the Group is concerned, on terms no less favourable than the terms accepted or provided by independent third parties; and
- (3) in accordance with the terms of agreement related to the transactions, which were fair and reasonable and in the interests of Shareholders of the Company as a whole.

### Confirmation of Auditors

The Company's external auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the Hong Kong Institute of Certified Public Accountants and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*. The Board hereby confirmed that, the auditors have issued their letter containing their findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, in which the auditors confirmed to the Company that nothing has come to their attention that causes them to believe that the continuing connected transactions (1) have not been approved by the Board, (2) were not conducted, in all material respects, in accordance with the relevant agreement governing the transactions, or (3) have exceeded the cap.

### RELATED PARTY TRANSACTIONS

Save for the transactions disclosed in the section headed "Continuing Connected Transactions" above, none of the related party transactions conducted by the Group during the year ended 31 December 2025 as disclosed in Note 11 to the financial statements constituted a connected transaction or continuing connected transaction that was not fully exempt from all disclosure, shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to those transactions conducted by the Group during the year ended 31 December 2025 that were not exempt from the disclosure requirements under Chapter 14A of the Listing Rules.

## Report of the Board of Directors

**PUBLIC FLOAT**

Based on the publicly available information to the Company and to the knowledge of the Directors, not less than 25% of the H Shares of the Company in issue are held by the public as at the latest practicable date prior to the publication of this annual report, which complied with Rule 19A.28B of the Listing Rules.

As at 31 December 2025, the public float of the H Shares of the Company in issue was approximately 60.47%. The shareholding structure and share capital structure of issued H Shares of the Company listed on the Stock Exchange as at 31 December 2025 are set out below:

Group of shareholders	Number of issued H Shares held	Approximate % of H shareholding
<b>(a) Non-public shareholders</b>		
(i) Substantial shareholders and their close associates		
Mr. Guo Zhongyan (郭中彦)	25,031,000	11.15%
Flowing Cloud Technology Ltd (Note 1)	25,595,000	11.40%
Beijing Infrastructure Investment (Hong Kong) Limited (Note 1)	38,102,000	16.98%
<b>Sub-total</b>	<b>88,728,000</b>	<b>39.53%</b>
<b>(b) Public shareholders</b>		
(i) GUOKONG (HONG KONG) INVESTMENT CO., LIMITED (Note 1)	20,300,000	9.04%
(ii) Equiom Fiduciary Services (Hong Kong) Limited (Note 2)	10,732,000	4.78%
(iii) Other public shareholders	104,700,000	46.65%
<b>Sub-total</b>	<b>135,732,000</b>	<b>60.47%</b>
<b>Total number of issued H Shares</b>	<b>224,460,000</b>	<b>100.00%</b>

Notes:

- For details, please refer to the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" of this annual report.
- The Company adopted an H share award scheme (the "**Scheme**") pursuant to a special resolution passed by the shareholders at the extraordinary general meeting of the Company held on 13 September 2022. The Company has appointed Equiom Fiduciary Services (Hong Kong) Limited as the initial trustee to assist in the administration of the Scheme. For details, please refer to the section headed "H Share Award Scheme" of this annual report.

The above statements are made on the basis of information publicly available to the Company or otherwise within the knowledge of the Directors as at the date of this annual report.

## Report of the Board of Directors

## EVENTS AFTER REPORTING PERIOD

### Discloseable and Connected Transaction – Acquisition of Interest in Electricity Business

On 12 January 2026, the Company and certain shareholders of Hebei Chenxiang Electricity Sales Co., Ltd.\* (河北辰翔售電有限公司) (hereinafter referred to as the Vendors) entered into an equity transfer agreement (the “**Equity Transfer Agreement**”), pursuant to which the Company conditionally agreed to acquire 86.22% of the equity interest in Hebei Chenxiang Electricity Sales Co., Ltd. held by the Vendors for a consideration of RMB135,000,000 subject to the terms and conditions of the Equity Transfer Agreement.

The Company will convene an extraordinary general meeting for independent shareholders, who are not materially interested in the Equity Transfer Agreement and the transactions contemplated thereunder, to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder. Please refer to the Company’s announcement dated 12 January 2026 for details.

Saved as disclosed above, no other major events occurred after the reporting period.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code as set out in Appendix C1 to Listing Rules as its own code of corporate governance. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the Corporate Governance Code. For the year ended 31 December 2025 and up to the date of this report, the Company has complied with applicable code provisions as set out in the Corporate Governance Code. For more details, please see the section headed “Corporate Governance Report” in this annual report.

## MAJOR LEGAL PROCEEDINGS

As of 31 December 2025, the Company was not involved in any major legal proceedings.

## BUSINESS ACTIVITIES IN THE SANCTIONED COUNTRIES

In respect of the Group’s business activities in the sanctioned countries, the Company has established the International Trade Audit Committee (the “**ITAC**”) to monitor the risk exposure of the Group under the international sanctions laws and periodically review the Group’s internal control policies and procedures with respect to sanctions law matters and their implementation by the Group, and report to the Board thereon. Details of the Group’s internal control measures and policies in relation to sanctions risks are set out in the section headed “Risk Management and Internal Controls” in the “Corporate Governance Report” of this annual report.

For the year ended 31 December 2025, the Group had sold welding wire products to four customers in a sanctioned country, namely Russia. The amounts accounted for approximately 0.1% of the total revenue of the Group for the year. Before the aforementioned sales were made, the ITAC had assessed the relevant sanctions risks, and reviewed and approved all relevant business transaction documentation (including but not limited to the information of the customers, such as identity, nature of business etc., along with the draft business transaction documentation) based on the internal control procedures. The ITAC had checked the customers’ names against various lists of restricted parties and countries maintained by the European Union, the United States of America, Australia or the United Nations to ascertain that the customers were not, or were not owned or controlled by, a person located in a sanctioned country or a sanctioned person.

## Report of the Board of Directors

The ITAC has also continuously monitored the use of proceeds from the Global Offering and any other funds raised through the Stock Exchange by the Company, so as to ensure that such funds have not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any sanctioned countries or any sanctioned persons which are prohibited under international sanctions laws and regulations.

The Board believes that, the Group's business activities in the sanctioned countries are not sanctioned activities under the international sanctions laws, and the Group, the Company's Shareholders and potential investors, the Stock Exchange and the related group companies, HKSCC or HKSCC Nominees Limited would not be subject to any risks or become a target of sanctions laws of the European Union, the United States of America, Australia or the United Nations as a result of such activities. Therefore, in order to maintain revenue and to maximise the Shareholders' interests, the Group will continue to legally carry out the above business activities in the sanctioned countries in accordance with the applicable international sanctions laws and regulations.

### AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's annual results and the consolidated financial statements for the year ended 31 December 2025 prepared in accordance with the PRC Accounting Standards.

### CHANGES IN THE INFORMATION OF DIRECTORS AND SUPERVISORS

On 30 December 2025, (i) Ms. Ma Xuehui (馬學輝), the executive Director of the Company, was appointed as a member of the Nomination Committee; (ii) Mr. Wu Jinyu (吳金玉), the executive Director of the Company, resigned as a member of the Nomination Committee; and (iii) Mr. Jip Ki Chi (葉奇志), the independent non-executive Director of the Company, was appointed as the lead independent non-executive Director.

Save as disclosed above, there were no changes in the information of Directors and Supervisors which are required to be disclosed in this section pursuant to Rule 13.51B(1) of the Listing Rules.

### AUDITOR

Pan-China Certified Public Accountant LLP (天健會計師事務所(特殊普通合夥)) ("PCCPA") was re-appointed as auditor of the Company at the annual general meeting of the Company held on 29 May 2025 to hold office until the conclusion of the next annual general meeting of the Company (i.e. the AGM). The consolidated financial statements for the year ended 31 December 2025 prepared in accordance with the China Certified Public Accountant Review Standard have been audited by PCCPA who shall retire as the auditor of the Company at the forthcoming AGM and, being eligible, offer themselves for re-election. The resolution of reappointment of PCCPA as the Company's auditor will be proposed for consideration at the forthcoming AGM.

### FINANCIAL SUMMARY

The summary of results of operation, assets and liabilities of the Group for the year ended 31 December 2025 is set out on page 4 of this annual report.

By Order of the Board

**Zhang Haijun**

*Chairman*

Hebei, China

26 March 2026

# REPORT OF SUPERVISORY BOARD

In 2025, all members of the Supervisory Board of the Company had performed their supervisory duties conscientiously and worked prudently and proactively, in strict accordance with the PRC Company Law (中國《公司法》) and the Articles of Association of the Company. They worked in the principle of integrity and for the long-term interests of the Company and the rights and interests of Shareholders. Set out below is a report on the principal work during the reporting period:

## I. SUPERVISORY BOARD MEETINGS

1. “Resolution on the Consideration of the ‘Draft of Annual Results Announcement for the Year 2024’” (《關於審議《2024年度業績公告草稿》的議案》), “Resolution on the Consideration of the ‘Draft of Annual Report for the Year 2024’” (《關於審議《2024年度年報草稿》的議案》), “Resolution on the Consideration of the ‘Report of Supervisory Board for the Year 2024’” (《關於審議《2024年度監事會報告》的議案》), “Resolution on the Consideration of the ‘Corporate Governance Report for the Year 2024’” (《關於審議《2024年度企業管治報告》的議案》), “Resolution on the Consideration of the ‘ESG Report for the Year 2024’” (《關於審議《2024年度ESG報告》的議案》), “Resolution on the Consideration of the ‘the Profit Distribution Plan of Hebei Yichen Industrial Group Corporation Limited for the Year 2024’” (《關於審議《河北翼辰實業集團股份有限公司2024年度利潤分配》的議案》) were deliberated and approved by the second meeting of the fourth session of the Supervisory Board convened on 27 March 2025.
2. “Resolution on the Consideration of the ‘Draft of Interim Report and Draft of Interim Results Announcement for the Year 2025’” (《關於審議《2025年度中期報告及中期業績公告的草稿》的議案》), “Resolution on the Consideration of the ‘Interim Profit Distribution for the Year 2025’” (《關於審議《2025年度中期利潤分配》的議案》) were deliberated and approved by the third meeting of the fourth session of the Supervisory Board convened on 28 August 2025.

All the Supervisors attended the above meetings.

## Report of Supervisory Board

### II. INDEPENDENT OPINIONS OF THE SUPERVISORY BOARD

The Supervisory Board expressed the following opinions on the supervision and inspection during the year:

#### 1. Legal Operation of the Company

During the reporting period, the Supervisory Board attended all Board meetings and general meetings. The Supervisory Board also supervised and inspected the procedures for convening the Company's Board and general meetings and resolutions thereof, the Board's execution of the resolutions made at general meetings, the performance of duties by senior management members of the Company, the implementation of various management policies of the Company, and the Company's production and operational conditions. The Supervisory Board was of the view that the Company was capable of standard operation as well as scientific and reasonable decision-making, and that the Company had a consummate and effective internal control system. No material deficiency was identified with respect to the design or execution of internal control of the Company.

#### 2. Financial Position of the Company

The Supervisory Board carefully considered resolutions regarding the Company's periodic financial report and financial policies during the reporting period. The Supervisory Board was of the view that the Company continuously improved and strictly implemented its financial internal control system, which effectively ensured its smooth production and operation. In 2025, the Company's financial position was sound with standardised financial management. The auditors issued an audit report with unqualified opinion. The financial statements

of the Company reflected its financial position and annual results as at 31 December 2025 in a truthful manner.

#### 3. Connected Transactions of the Company

During the reporting period, the pricing principles of connected transactions were in line with common business practices and the relevant requirements of policies, demonstrating the principles of fairness and equality. The Supervisory Board was of the view that, there was no act damaging the interests of the Company and its Shareholders, especially the minority interests as a result of insider dealings in 2025.

#### 4. Execution of the Resolutions Passed at the General Meeting

The Supervisory Board attended the general meeting for the year, at which it reviewed and supervised the resolutions. In this regard, the Supervisory Board considered that the Board effectively executed the resolutions of the general meeting.

#### 5. Information Disclosure of the Company

The Company strictly complied with the information disclosure management systems of regulatory authorities and the Company during its execution. It provided truthful, accurate and complete information disclosure, with no discloseable issues yet to be disclosed.

**Guan En**

*Chairman of the Supervisory Board*  
Hebei, the PRC

26 March 2026

# CORPORATE GOVERNANCE REPORT

The Board of Directors is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2025.

## CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Part 2 of the CG code.

The Company has devised its own code of corporate governance which incorporates all the principles and practices as set out in Part 2 of the CG Code.

In the opinion of the Directors, throughout the year ended 31 December 2025, the Company has complied with all the code provisions as set out in the CG Code, except for the following deviation.

Pursuant to code provision B.3.5 of the CG Code, with effect from 1 July 2025, the Nomination Committee must have at least one director of a different gender. Between 1 July 2025 and 29 December 2025, the Board sought a candidate possessing both gender diversity and specific industrial expertise to ensure effective oversight. Following a rigorous selection, Ms. Ma Xuehui, an executive Director, was appointed as a member of the Nomination Committee on 30 December 2025, since which time the Company has been in full compliance with the Code Provision.

## DIRECTORS' SECURITIES TRANSACTIONS/MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2025.

## Corporate Governance Report

The Company has also established written guidelines (the “**Employees Written Guidelines**”) no less exacting than the Model Code for securities transactions by employees who because of such office or employment, are likely to be in possession of inside information in relation to Company or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

### BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting the Company’s success by directing and supervising the Company’s affairs. The Board oversees the Group’s business, strategic decisions and performance and take decisions objectively in the best interests of the Company from time to time.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’s business and regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

#### Board Composition

The Board comprises the following Directors:

##### **Executive Directors**

Mr. Zhang Haijun (*Chairman*)  
 Mr. Wu Jinyu  
 Mr. Zhang Chao  
 Mr. Zhang Lihuan  
 Ms. Ma Xuehui

##### **Non-executive Director**

Ms. Zheng Zhixing

##### **Independent Non-executive Directors**

Mr. Jip Ki Chi (*Lead independent non-executive Director*)  
 Mr. Zhang Liguo  
 Mr. Wang Fujun

On 30 December 2025, Mr. Jip Ki Chi was appointed as the lead independent non-executive Director (the “**Lead INED**”). The Lead INED does not assume any separate or additional responsibility or liability as compared with the other independent non-executive Directors. His principal role is to facilitate and strengthen communication among the independent non-executive Directors, between the independent non-executive Directors and the rest of the Board, and with the Company’s shareholders, particularly minority shareholders.

The biographical information of the Directors and the relationships between the Directors are set out in the section headed “Biographical Details of Directors, Supervisors and Senior Management” on pages 15 to 19 of this Annual Report. Save as disclosed above, there is no relationships (including financial, business, family or other material/relevant relationship(s)) between the Board members.

#### Board Meetings and Directors’ Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Apart from regular Board meetings, the Chairman is also required to hold meetings with independent non-executive Directors without the presence of other Directors during the year. The Chairman held a meeting with the independent non-executive Directors without the presence of other Directors on 30 December 2025.

## Corporate Governance Report

During the year ended 31 December 2025, the Board held five meetings and the Directors' attendance records are as follows:

Name of Directors	Attendance
Mr. Zhang Haijun ( <i>Chairman</i> )	5/5
Mr. Wu Jinyu	5/5
Mr. Zhang Chao	5/5
Mr. Zhang Lihuan	5/5
Ms. Ma Xuehui	5/5
Ms. Zheng Zhixing	5/5
Mr. Jip Ki Chi	5/5
Mr. Zhang Liguo	5/5
Mr. Wang Fujun	5/5

### Chairman and General Manager

The positions of Chairman and General Manager are held by Mr. Zhang Haijun and Mr. Zhang Lifeng respectively.

The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The General Manager focuses on the Company's business development and daily management and operations generally.

### Independent Non-executive Directors

Save as disclosed below, during the year ended 31 December 2025, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

### Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism which sets out the processes and procedures to ensure independent views and input are available to the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2025, all Directors has completed the independence evaluation in the form of a questionnaire individually and supplemented by individual interviews. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the year ended 31 December 2025, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

## Corporate Governance Report

### Board Performance Review

In early 2026, the Board conducted a board performance review in respect of FY2025 (the “**Review**”). The Review covered the Board as a whole and its five Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Governance Committee and the Strategy Committee.

The Review was conducted internally by the Company. The review process comprised confidential questionnaires completed by all Directors, together with committee-specific questionnaires completed by members of the relevant Board committees. The assessment covered, among other matters, Board composition and skills, committee effectiveness, Board processes and meeting management, the quality and timeliness of information provided to the Board, directors’ training and development, oversight of strategy, risk management and internal controls, and areas for further enhancement.

The responses and feedback were consolidated into an anonymised report, which was considered by the Board in March 2026. Overall, the Review indicated that the Board continues to provide effective strategic oversight and maintains sound governance and control disciplines. Assessment scores were generally high across the evaluation areas.

The Review also provided useful input for the Board’s ongoing development and highlighted certain areas for further enhancement, including the Board’s skills mix, the timeliness and focus of regulatory and compliance updates, and interaction and information flow between the Board and senior management. The Board and the relevant Board committees will take these observations into account in their ongoing review of Board composition, director training and governance processes.

Having considered the information provided, together with the questionnaire responses and interviews conducted as part of the Review, the Board concluded that it had continued to operate effectively during the year under review. The Board and the relevant Board committees will take forward the follow-up actions identified through the Review as part of the Company’s ongoing commitment to high standards of corporate governance.

### Appointment and Re-election of Directors

Pursuant to Article 5.2 of the Articles of Association of the Company, Directors shall be elected or changed at shareholders’ general meetings, and the shareholders’ general meeting may dismiss their positions prior to the expiration of their terms of office. The term of office of Directors is three years. Upon the expiration of the term of office, Directors shall be eligible to offer themselves for re-election.

The term of office of the Third Session of the Board of Directors was expired on 1 December 2024. At the extraordinary general meeting held on 2 December 2024 (“**EGM**”), the ordinary resolutions approving the re-election or election (as the case may be) of the Directors by the Shareholders at the EGM were passed, all members of the Fourth Session of the Board of Directors assumed office. In accordance with Article 5.2 of the Articles of Association, the term of office of the Fourth Session of the Board of Directors shall be three years, commencing on 2 December 2024, being the date of the EGM.

Accordingly, each of the executive Directors has entered into a separate service agreement and the Company had issued a separate appointment letter to each of the non-executive Director and independent non-executive Directors.

## Corporate Governance Report

**Responsibilities, Accountabilities and Contributions of the Board and Management**

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

**Continuous Professional Development of Directors**

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

## Corporate Governance Report

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the year ended 31 December 2025 are summarized as follows:

Directors	Type of Training <small>Note</small>
<b>Executive Directors</b>	
Mr. Zhang Haijun	A, B
Mr. Wu Jinyu	A
Mr. Zhang Chao	A, B
Mr. Zhang Lihuan	A, B
Ms. Ma Xuehui	A, B
<b>Non-executive Director</b>	
Ms. Zheng Zhixing	A, B
<b>Independent Non-executive Directors</b>	
Mr. Jip Ki Chi	A, B
Mr. Zhang Liguo	A, B
Mr. Wang Fujun	A, B

Note:

#### Types of Training

- A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
- B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

## SUPERVISORY BOARD

The Company has a Supervisory Board which is composed of the following members:

Mr. Guan En (*Chairman*)  
 Mr. Liu Jianbin  
 Mr. Zhou Hao

The Supervisory Board consists of two Shareholders representative Supervisors and one staff representative Supervisor. Directors and members of the senior management may not act as Supervisors. The staff representative Supervisors shall be democratically elected by the staff members of the Company at a staff representative assembly, general staff meeting or otherwise.

Each term of office of a Supervisor is three years and he or she may serve consecutive terms if re-elected. A Supervisor shall continue to perform his/her duties in accordance with the laws, administrative regulations and Articles of Association until a duly re-elected Supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of Supervisors results in the number of Supervisor being less than the statutory member.

The term of office of the Third Session of the Board of Supervisors was expired on 1 December 2024. Mr. Zhou Hao was appointed as the staff representative Supervisor of the Fourth Session of the Board of Supervisors at the staff representative meeting (職工代表大會) of the Company held on 30 October 2024. Mr. Guan En and Mr. Liu Jianbin were re-elected as the Shareholder representative Supervisors of the Fourth Session of the Board of Supervisors of the Company at the EGM.

In accordance with Article 7.3 of the Articles of Association, the term of office of the Fourth Session of the Board of Supervisors shall be three years commencing on the date of the EGM, i.e. 2 December 2024. Accordingly, each of the Supervisors of the Fourth Session of the Board of Supervisors has entered into a separate service agreement with the Company.

## Corporate Governance Report

### The functions and power of the Supervisory Board

The Supervisory Board exercises the following functions and powers:

- To review and express its review comments in writing on regular reports prepared by the Board
- To review the Company's financial position
- To supervise the Directors and senior management in their act during exercise of the Company's powers and make recommendations on removal of Directors and senior management members who are in violation of laws, administrative regulations, the Articles of Association or resolutions of the Shareholders' general meeting
- To demand the Directors and senior management members of the Company to rectify their error if the Directors and senior management members have acted in a manner harmful to the Company's interest
- To supervise the Directors and senior management in their act during exercise of the Company's powers and make recommendations on removal of Directors and senior management members who are in violation of laws, administrative regulations, the Articles of Association or resolutions of the Shareholders' general meeting
- To demand the Directors and senior management members of the Company to rectify their error if the Directors and senior management members have acted in a manner harmful to the Company's interest
- To propose the convening of extraordinary general meetings and to convene and preside over Shareholders' general meetings in the event that the Board fails to perform its duties in convening and presiding over Shareholders' general meeting under the PRC Company Law
- To make proposals to the Shareholders' general meetings
- To propose to convene extraordinary meetings of the Board
- To attend meetings of the Board in a non-voting capacity and to question or advise upon the matters to be resolved by the Board
- To sue the Directors or senior management members according to Article 151 of the PRC Company Law
- to conduct an investigation of any abnormality identified in the operations of the Company and, when necessary and at the expense of the Company, engage such professional organizations as accounting firm or law firm, etc, to assist in the investigation
- other powers stipulated by laws, administrative regulations, the Hong Kong Listing Rules or these Articles

Supervisors may be in attendance at Board meetings and make enquiries or proposals in respect of Board resolutions. The Supervisory Board may initiate investigations into any irregularities identified in the operation of the Company and, where necessary, may engage an accounting firm to assist in their work at the Company's expense.

## Corporate Governance Report

### BOARD COMMITTEES

The Board has established five committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee, Corporate Governance Committee and Strategy Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee, Nomination Committee and Strategy Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

#### Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Jip Ki Chi, Mr. Zhang Liguó and Mr. Wang Fujū. Mr. Jip Ki Chi is the chairman of the Audit Committee.

The terms of reference of the Audit Committee has been modified on 6 December 2018 and are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board:

- To review the financial information and reporting process, risk management and internal control systems
- To monitor the effectiveness of the internal audit function

- To discuss with auditors on scope of audit and make recommendations to the Board on the appointment of external auditors
- To review arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company

The Audit Committee held two meetings during the year to review, in respect of the interim financial results and reports as at 30 June 2025, the annual financial results and reports as at 31 December 2024 and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works, amendments of the terms of reference in light of the amendments to the CG Code, and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the executive Directors.

The Audit Committee had reviewed together with the senior management and the external auditors the accounting principles and practices adopted by the Group, and the accuracy and fairness of the consolidated financial statements for the year ended 31 December 2025.

The attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	Attendance
Mr. Jip Ki Chi ( <i>Chairman</i> )	2/2
Mr. Zhang Liguó	2/2
Mr. Wang Fujū	2/2

## Corporate Governance Report

### Remuneration Committee

The Remuneration Committee consists of three members, including one executive Director, namely Mr. Wu Jinyu, and two independent non-executive Directors, namely Mr. Jip Ki Chi and Mr. Zhang Liguu. Mr. Zhang Liguu is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee revised on 30 March 2023 and are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include:

- To review and make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management
- To review and approve the recommended remuneration of the management in light of the corporate approach and objectives set by the Board
- To review and make recommendations to the Board on the remuneration packages of individual executive Directors and senior management
- To review and make recommendations to the Board on the remuneration of the non-executive Directors
- To assess performance of executive Directors
- To ensure that no Director or any of his/her associates is involved in determining his/her remuneration
- To review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules

The Remuneration Committee held two meetings during the year to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Directors and senior management and other related matters.

Details of the remuneration of the senior management by band are set out in Note XI(II) 4 to the consolidated Financial Statements for the year ended 31 December 2025.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors comprises basic salary, pensions and performance/discretionary bonus. Executive Directors shall receive awards to be granted under the Company's share award scheme. The remuneration policy for non-executive Directors and independent non-executive Directors is to ensure that non-executive Directors and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Independent non-executive Directors shall not receive awards to be granted under the Company's share award scheme. Individual Directors and senior management have not been involved in deciding their own remuneration.

The attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance
Mr. Zhang Liguu ( <i>Chairman</i> )	2/2
Mr. Jip Ki Chi	2/2
Mr. Wu Jinyu	2/2

## Corporate Governance Report

### Nomination Committee

The Nomination Committee consists of three members, including one executive Director, namely Ms. Ma Xuehui, and two independent non-executive Directors, namely Mr. Wang Fujun and Mr. Zhang Liguang. Mr. Wang Fujun is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are revised on 30 December 2025 and of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include:

- To review the structure, size and composition of the Board, and to assist the Board in preparing the Board skills matrix and make recommendations on any proposed changes to the board to complement the Company's corporate strategy;
- To identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- To assess the independence of the independent non-executive Directors
- To consider and make recommendations to the Board on the re-election of Directors and succession planning for directors, in particular the chairman and the chief executive
- To support the Company's regular evaluation of the Board's performance

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met twice during the year to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to recommend to the Board on the re-election of Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

The attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Attendance
Mr. Wang Fujun ( <i>Chairman</i> )	2/2
Mr. Wu Jinyu <sup>(1)</sup>	2/2
Mr. Zhang Liguang	2/2
Ms. Ma Xuehui <sup>(2)</sup>	N/A

Notes:

(1) resigned on 30 December 2025

(2) appointed on 30 December 2025

### Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

## Corporate Governance Report

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

An analysis of the Board's current composition based on the measurable objectives is set out below:

**Gender**

Male: 7 Directors

Female: 2 Directors

**Age Group**

31-40: 1 Director

41-50: 3 Directors

51-60: 2 Directors

Above 60: 3 Directors

**Designation**

Executive Directors: 5 Directors

Non-executive Director: 1 Director

Independent Non-executive Directors: 3 Directors

**Educational Background**

Business Administration: 1 Director

Account and Finance: 3 Directors

Other: 5 Directors

**Nationality**

Chinese: 8 Directors

Hong Kong, China: 1 Director

**Business Experience**

Accounting & Finance: 3 Directors

Experience Related To The Company's Business: 2 Directors

The Nomination Committee and the Board considered that the current composition of Board is sufficiently diverse.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

## Corporate Governance Report

**Directors' Skills and Experience**

The skills matrix below sets out the skills and expertise of the Board that are most relevant to the Group's strategy, governance and business and to enabling the Board to effectively discharge its duties and responsibilities in attaining the Group's strategic objectives and achieving sustainable and balanced development for the Group.

Skills Area	Description	Importance (Note a)	Adequacy	Development/ Skills Enhancement Plan
Senior Management/ Strategic Experience	Overseeing strategic decision-making and resource allocation to ensure that the Group's business direction is aligned with its long-term development objectives	E	Highly sufficient	Conduct strategic review sessions on a regular basis and consider engaging external advisers for assessment
Capital Markets Experience	Applying professional capital markets expertise to support financing activities and business expansion	F	Sufficient	Give priority, in Board succession planning, to candidates with cross-border financing and M&A backgrounds, and strengthen targeted training for existing Directors on market regulatory trends
Industry/Engineering Expertise	Providing technical guidance on the research, development and production of railway components to ensure that product quality complies with national and industry safety standards	E	Highly sufficient	Arrange regular external industry updates and sharing sessions on technological trends
PRC Mainland Experience	Guiding business expansion in light of PRC policies and market conditions, and ensuring that the Group's strategies remain aligned with industry developments	E	Highly sufficient	Continue to monitor national railway development plans and changes in procurement systems, so that the Board can keep abreast of the latest policy direction in a timely manner

## Corporate Governance Report

Skills Area	Description	Importance (Note a)	Adequacy	Development/ Skills Enhancement Plan
Accounting/Financial Expertise	Carrying out financial monitoring and budget management to safeguard financial soundness and foster a culture of integrity in business operations	F	Sufficient	Strengthen the Board's capabilities in financial reporting standards, budget management and financial oversight through continuous professional training for Directors and financial reporting from management
Legal/Regulatory/Compliance Experience	Overseeing cross-border operations and compliance with listing rules, reducing legal risk and maintaining the Group's governance standards	E	Highly sufficient	Place particular emphasis on strengthening Directors' professional knowledge of ESG disclosure requirements and new climate-related regulatory requirements, to ensure that governance standards remain aligned with the latest listing requirements
Risk Management/Safety/Operational Compliance	Managing product quality and production safety risks, safeguarding business continuity and embedding a culture of safety	F	Sufficient	Enhance the Board's oversight of supply chain stability and production safety systems, and conduct regular reviews of the Group's risk register together with scenario exercises
Diversity (Age, Gender, Culture, etc.)	Contributing to Board diversity in terms of age, gender, culture and other dimensions	A/D	Limited	Continue to assess, during the nomination process, the balance of Board members in terms of age, gender and professional background, so as to enhance the quality and prudence of collective decision-making

Note

**(a) Abbreviations:**

"E" = skills that are currently essential for the Board

"F" = new skills that should be added in the future or in light of expected circumstances

"A/D" = skills that are not essential, but would be advantageous or desirable if available on the Board

## Corporate Governance Report

### Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this Annual Report:

	Female	Male
Board	22.2% (2)	77.8% (7)
Senior Management	0% (0)	100% (4)
Other employees	34.6% (434)	65.4% (820)
Overall workforce	34.4% (436)	65.6% (831)

The Board is committed to improving greater gender diversity in the Board, senior management and other employees of the Group and wishes to achieve at least 22.2% (2) of female Directors, 20% (1) of female senior management and 35.5% (450) of female employees by the end of 2030.

Up to the date of this Annual Report, the Nomination Committee is in progress of identifying suitable female candidate(s) for appointment to the Board on merit against objective criteria.

In order to build a pipeline of potential successors for the Board to increase gender diversity in the Board in the upcoming years, the Group will also proactively provide trainings to our senior managements to create an inclusive workplace for and may also work with human resources firms to identify potential successors for the Board.

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on pages 104 to 105 of this Annual Report.

### Workforce Diversity Policy

The Group has adopted a workforce diversity policy and reviewed from time to time, under which the Company seeks to achieve workforce diversity across all levels, including senior management. Diversity encompasses, but is not limited to, gender, educational background, professional qualifications, skills, industry experience and other relevant attributes. In forming its perspective on diversity, the Group will also take into account factors based on its own business model and specific needs from time to time. The Group is also committed to fostering gender empowerment, gender equality and gender diversity across its workforce, and providing equal opportunities in relation to recruitment, training and development, compensation and career and promotion opportunities.

The male to female ratio of the Group's workforce (including senior management) as at 31 December 2025 was approximately 65.6%:34.4%. The Board considers that the gender diversity in workforce is currently achieved. With the objective of further optimising the gender diversity in mind, the Group will continue to take gender diversity into account in its ongoing recruitment process, in particular when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to the Board in due time to ensure gender diversity of the Board and the workforce.

## Corporate Governance Report

**Director Nomination Policy**

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board members have a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The nomination process set out in the Director Nomination Policy is as follows:

***Appointment of New Director***

- (i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.
- (ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- (iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- (iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

- (v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

***Re-election of Director at General Meeting***

- (i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.
- (ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.
- (iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

## Corporate Governance Report

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

### Corporate Governance Committee

The Corporate Governance Committee consists of three members, including one executive Director, namely Mr. Zhang Chao, and two independent non-executive Directors, namely Mr. Jip Ki Chi and Mr. Wang Fujun. Mr. Jip Ki Chi is the chairman of the Corporate Governance Committee.

The principal duties of the Corporate Governance Committee include:

- To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board
- To review and monitor the training and continuous professional development of Directors and senior management
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements
- To develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors
- To review the Company's compliance with the CG Code and disclosure on Corporate Governance Report

The Corporate Governance Committee was established by the Board for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year ended 31 December 2025, Corporate Governance Committee met once to review the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

## Corporate Governance Report

The attendance records of the members of the Corporate Governance Committee are as follows:

Name of Members of the Corporate Governance Committee	Attendance
Mr. Jip Ki Chi ( <i>Chairman</i> )	1/1
Mr. Zhang Chao	1/1
Mr. Wang Fujun	1/1

### Strategy Committee

The Strategy Committee consists of three members, including two executive Directors, namely Mr. Zhang Haijun and Mr. Wu Jinyu, and one independent non-executive Director, namely Mr. Zhang Ligu. Mr. Zhang Haijun is the chairman of the Strategy Committee.

The principal duties of the Strategy Committee include:

- To conduct researches and make recommendations to the Board on the Group's mid-term and long-term strategies and their feasibility
- To conduct research on and make recommendations to the Board on the Group's investment plans, major business decisions and investment earnings forecast
- To evaluate and monitor the implementation of the strategy, plans and measures adopted by the Committee

The Strategy Committee met twice during the year to perform duties as set out in its terms of reference.

The attendance records of the members of the Strategy Committee are as follows:

Name of Members of the Strategy Committee	Attendance
Mr. Zhang Haijun ( <i>Chairman</i> )	2/2
Mr. Wu Jinyu	2/2
Mr. Zhang Ligu	2/2

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

It is the responsibility of the Board to ensure that our Company maintains sound and effective internal controls to safeguard our Shareholders' investment and our assets at all times.

In order to achieve effective and efficient operations and reliable financial reporting and compliance with applicable laws and regulations, the Company has adopted various internal control rules and procedures, including the following:

- To adopt the Internal Control Management Measures, which sets out the procedures for effective implementation of internal control measures

## Corporate Governance Report

- To provide training to the Directors, senior management and key risk management personnel with respect to our internal control policies and expect to provide continuous training when necessary
- To engage external professional advisers as necessary and work with our internal audit and legal teams to conduct review to ensure that all registrations, licenses, permits, filings and approvals are valid and that the renewals of such documents are made in a timely manner
- To engage a qualified PRC legal adviser, to review and advise on our regulatory compliance with the relevant PRC laws and regulations that are material to our business operations in China

Our human resources team is responsible for developing and monitoring our human resources management system which covers recruitment procedures, employment agreements, employee compensation and employee annual evaluation to ensure that we comply with relevant regulatory requirements and applicable laws so as to reduce our legal risks.

Our sales activities are regulated in accordance with the nature of different business segments. For the bidding process primarily in respect of our rail fastening system, we established the Internal Policy on Sales which regulates the initiation, approval and management procedures of bidding projects. For sales of flux cored wire products, we established the Regulation and Sales Procedures of Welding Materials which stipulates the process of customer identification verification, credit assessment, agreement approval and accounts receivable management.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

The management, in co-ordination with division/department heads, assessed the likelihood of risk occurrence, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2025. The Board has reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2025, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experience and relevant resources.

The Internal Audit Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee. In addition, the Internal Audit Department reviewed the subsisting continuing connected transactions entered into by the Group and the adequacy and effectiveness of the internal control procedures in place to ensure that the continuing connected transactions had been conducted in compliance with the Listing Rules, and provided the findings to the independent non-executive Directors to assist them in performing their annual reviews.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns with the head of Internal Audit Department/Chief Executive Officer/Audit Committee about possible improprieties in any matters of the Company.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

## Corporate Governance Report

The Internal Control Department shall regularly report to the International Trade Audit Committee (“the **ITAC**”). The members of the ITAC include the general manager and chief financial officer of Group companies and their responsibilities include monitoring the Group’s exposure to risk of sanction laws and execution of relevant internal control.

Prior to judgment of whether seizing any business opportunities from sanctioned countries and/or sanctioned person, the Internal Control Department shall assess the relevant sanctions risk and report to the ITAC. The Internal Control Department has to submit the relevant business transaction documents of all sanctioned countries and/or sanctioned customers or potential customers to the ITAC. The ITAC shall review and approve all the relevant business transaction documents of all sanctioned countries and/or sanctioned customers or potential customers. The ITAC will review the data from counterparty of relevant contracts (including identity and business nature etc.) and draft of business transaction documents. The ITAC checks the counterparty of contract against several lists (as publicly available data) of restricted parties and countries (including but not limited to any government, individual or entity as the sanctioned targets of Office of Foreign Assets Control of the United States Department of the Treasury) maintained by the European Union, United Nations or Australia, and determines whether the counterparty belongs to or is owned or controlled by person(s) located in sanctioned countries or sanctioned person(s). In the event of discovering any potential sanction risks, the ITAC will seek advices from external international legal advisors with necessary professional knowledge and experiences of international sanction laws.

To ensure our compliance with our undertakings to the Stock Exchange, the ITAC will persistently monitor the use of proceeds from Global Offering and any other proceeds raised by any other means on the Stock Exchange, in order to ensure that such proceeds will not be used for, directly or indirectly, subsidizing or facilitating any activities or businesses with any sanctioned countries or persons restricted under international sanction laws and regulations

or between any sanctioned countries or persons, or subsidizing or facilitating such activities or business for the benefits of such countries or persons. The ITAC shall regularly review the Company’s internal control policies and procedures in relation to the matters of sanction laws. When the ITAC considers as necessary, the Company will engage the external international legal advisors with necessary professional knowledge and experiences of international sanction laws for seeking recommendations and advices. If necessary, the external international legal advisors will provide training courses of sanction laws to Directors, senior management, the Legal Affairs Department and other relevant individuals and assist them to evaluate the potential sanction risks in our daily operations. The ITAC will convene at least two meetings every year to monitor our exposure to sanction law risks and submit report to the ITAC as soon as possible after such meetings.

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees may also report to their department head and the department head will report relevant information collected to the head of internal audit department. If a department head is involved or otherwise, the matter may be referred directly to the Chief Executive Officer or the Chairman of the Board. If the Chairman of the Board is involved, such matter may be submitted directly to the audit committee, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

The Company has developed its disclosure policy which provides a general guide to the Company’s Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

## Corporate Governance Report

### **DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2025.

The Directors have prepared the financial statements in accordance with China Accounting Standards for Business Enterprises promulgated by the Ministry of Finance. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The financial statements of the Company are prepared on a going concern basis, the Directors are of the view that they give a true and fair view of the financial position, performance and cash flow of the Group for the year ended 31 December 2025, and the disclosure of other financial information and report therein complies with relevant legal requirements.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report of this Annual Report.

### **AUDITORS' REMUNERATION**

The Company has appointed Pan-China Certified Public Accountant LLP as the auditor of the Company's 2025 consolidated financial statements prepared under China Accounting Standards for Business Enterprises.

The remuneration for the year ended 31 December 2025 paid or payable to the Company's auditors, Pan-China Certified Public Accountant LLP for audit services amounted to RMB1.6 million (including value added tax and the amount excluding tax was approximately RMB1,509,400).

### **COMPANY SECRETARY**

Ms. Ng Wai Kam, a senior manager of Tricor Services Limited (an external service provider), has been appointed as the Company's company secretary who meets the requirements of a company secretary under Rule 3.28 of the Listing Rules. Ms. Ng's primary contact person at the Company is Mr. Zhang Chao.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

Ms. Ng Wai Kam has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

### **SHAREHOLDERS' RIGHTS**

The Company engages with Shareholders through various communication channels and a Shareholders' communication policy is in place to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the dividend policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

## Corporate Governance Report

**Convening an Extraordinary General Meeting**

Shareholders individually or jointly holding more than 10% of Shares shall be entitled to request for an extraordinary general meeting.

The Board of Directors shall give a written reply on agreeing or disagreeing to convene an extraordinary general meeting of Shareholders within 10 days upon receipt of the request.

**Putting Forward Proposals at Annual General Meetings**

When the Company convenes a Shareholders' general meeting, the Board, Supervisory Board and Shareholders individually or jointly holding 3% or more of Shares of the Company shall be entitled to propose motions in writing to the Company. The contents of the motions shall fall within the scope of duties of the Shareholders' general meeting, have definite topics and specific matters for resolution and comply with the relevant requirements of the laws, administrative regulations and Articles of Association.

Shareholders individually or jointly holding 3% or more of the Shares of the Company shall be entitled to propose ad hoc motions and submit to the convener in writing 10 days prior to the convening of the Shareholders' general meeting. The convener shall issue a supplemental notice of Shareholders' general meeting to other Shareholders within 2 days after the receipt of such proposal and incorporate the motions into the agenda of such meeting.

**Putting Forward Enquiries to the Board**

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

**Contact Details**

Shareholders may send their enquiries or requests as mentioned above to the following:

Registered Office and Headquarters:

No. 1 Yichen North Street,  
Gaocheng District, Shijiazhuang City,  
Hebei Province,  
The People's Republic of China

Additional Registered Address:

No. 268 Lianzhou East Road,  
Gaocheng District, Shijiazhuang City,  
Hebei Province,  
The People's Republic of China

Principal Place of Business in Hong Kong:

Room 1912, 19/F, Lee Garden One,  
33 Hysan Avenue, Causeway Bay, Hong Kong

Email: yichenshiye@hbysc.com.cn

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above addresses indicating "To the Board or Company Secretary" and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## Corporate Governance Report

### COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/ INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

During the year ended 31 December 2025, the Company held the annual general meeting on 29 May 2025, the Shareholders passed the ordinary and special resolutions as set out in the circular dated 30 April 2025.

Independent non-executive Directors and non-executive Directors have attended general meetings to gain and develop a balanced understanding of the view of Shareholders. The Directors' attendance records are as follows:

Name of Directors	AGM Attendance
Mr. Zhang Haijun	1/1
Mr. Wu Jinyu	1/1
Mr. Zhang Chao	1/1
Mr. Zhang Lihuan	1/1
Ms. Ma Xuehui	1/1
Ms. Zheng Zhixing	1/1
Mr. Jip Ki Chi	1/1
Mr. Zhang Liguo	1/1
Mr. Wang Fujun	1/1

### Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

#### (a) *Corporate Communication*

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy.

Pursuant to the Rule 2.07A of the Listing Rules regarding the expansion of paperless listing regime and electronic dissemination of corporate communications that came into effect on 31 December 2023, the Company has adopted electronic dissemination of Corporate Communications, and only send Corporate Communications in printed form to the Shareholders upon request. The Corporate Communication of the Company will be published on the Stock Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website (<http://hbyc.com.cn>), in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules.

## Corporate Governance Report

Shareholders of the Company shall have the right to choose the language (either English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means).

**(b) *Announcements and Other Documents pursuant to the Listing Rules***

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

**(c) *Corporate Website***

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (<http://www.hbyc.com.cn>). Other corporate information about the Company's business developments, goals and strategies, corporate governance and risk management will also be available on the Company's website.

**(d) *Shareholders' Meetings***

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of

the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

**(e) *Shareholders' Enquiries***

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, via its online holding enquiry service at Computershare Investor Services Limited, or send email to [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk) or call its hotline at (852) 2862 8555, or go in person to its public counter at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send any enquiries to the Board by email: [yichenshiye@hbyc.com.cn](mailto:yichenshiye@hbyc.com.cn) or by post to No. 1 Yichen North Street, Gaocheng District, Shijiazhuang City, Hebei Province, China.

**(f) *Other Investor Relations Communication Platforms***

Investor/analysts briefings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums etc. will be launched on a required basis.

Amendments to Constitutional Documents

During the year under review, the Company did not make any changes to its Articles of Association.

An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

## Corporate Governance Report

### NON-COMPETE UNDERTAKING

The Controlling Shareholders of the Company have given the irrevocable non-compete undertaking (as defined in the prospectus of the Company dated 9 December 2016) in favour of the Company (the “**Non-compete Undertaking**”). Pursuant to the Non-compete Undertaking, each of the Controlling Shareholders has undertaken not to, directly or indirectly, carry on, invest in or be engaged in any business which would or might compete with the business currently and from time to time engaged in by the Group, and to provide the Company and the Directors from time to time (including the independent non-executive Directors) with all information necessary for the annual review by the independent non-executive Directors with regard to compliance with the terms of the Non-compete Undertaking by the Controlling Shareholders and the enforcement of the Non-compete Undertaking.

Each of the Controlling Shareholders has confirmed that during the period from the Listing Date to 31 December 2025, he/she had strictly complied with the terms of the Non-compete Undertaking and there was no matter which would require deliberation by the Board in relation to compliance and enforcement of the Non-compete Undertaking.

All the independent non-executive Directors have reviewed the matters relating to enforcement of the Non-compete Undertaking and consider that the terms of the Non-compete Undertaking have been complied with by each of the Controlling Shareholders.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

### Report Overview

Hebei Yichen Industrial Group Corporation Limited and its subsidiaries (hereinafter referred to as “**we**”, “**us**”, “**our**”, “**Hebei Yichen**” or the “**Company**”) are pleased to issue the 2025 Environmental, Social and Governance (ESG) Report (the “**Report**”). The Report discloses the environmental, social and governance (ESG) management philosophy, initiatives and achievements of the Company other than its financial performance for the year 2025 in a comprehensive manner to respond to the concerns and expectations of the general public and our stakeholders on our sustainable development. We will work hand-in-hand with our value chain partners to jointly promote the thorough implementation of sustainable development. The Report is available on the Company’s official website (<http://hbyc.com.cn>) under the page of Investor Relations – Financial Reports and the Hong Kong Stock Exchange’s website (<http://www.hkexnews.hk>).

### Reporting Period and Scope

The Report covers the period from 1 January 2025 to 31 December 2025 (hereinafter referred to as the “**Reporting Period**” or the “**Year**”). To enhance comparability, part of the contents retrospect to previous years. Guizhou Juneng Railway Transit Co., Ltd.\* (貴州炬能軌道交通有限公司) has been included in the reporting scope for the Year. Operated under the Xingtai segment, the company is dedicated to the manufacturing and sales of railway sleeper products, and fully commenced its production and business operations in 2025. Therefore, the reporting scope of the report for the Year covers locations where the major business processes of the Company are situated, including the headquarters of the Company in Gaocheng District, Shijiazhuang City of Hebei Province, the welding segment which focus on the design and manufacturing of welding materials, Shenyang segment which is responsible for sales, and Xingtai segment which is engaged in the manufacturing and sales of railway sleeper products as well as its subsidiary in Guizhou. For more details of the business of the Company, please refer to the financial report 2025.

### Preparation Basis of Report

The Report was prepared in accordance with the requirement of the “Environmental, Social and Governance Reporting Code” (the “Code”) under Appendix C2 to the Listing Rules of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

## Environmental, Social and Governance Report

**Reporting Principles**

The Report is prepared in accordance with the four reporting principles of “materiality”, “quantitative”, “balance” and “consistency” stipulated in the Code, providing a holistic view of the current management and work effectiveness of the Company in the area of ESG.

Reporting principles	Definitions	Our responses
Materiality	Identify and prioritise the reporting of ESG issues that have a significant impact on the Company and all stakeholders to ensure that the information disclosed effectively reflects the key risks and opportunities of the corporate.	During the Year, in combination with the industry and business conditions, the Company identified, assessed and analysed the sustainability issues related to our development through continuous communication with our stakeholders via multiple channels, and made disclosure based on the results of the materiality assessment. For details, please refer to the “Stakeholder Communication” section.
Quantitative	Key performance indicators (KPIs) in the report should be based on quantitative data and metrics to impartially disclose the corporate’s ESG performance.	The Report provided a quantitative disclosure of the applicable KPIs under the “Environment” and “Social” areas of the Code. It also provided explanations of the standards, calculation and emission factors used for the disclosed data as well as setting quantitative environmental goals. Through these specific indicators, we aim to promote the efficiency of environmental protection and resource utilisation and demonstrate our commitment to a sustainable future.
Balance	The report should fairly present the Company’s overall ESG performance.	We adhered to the principle of balance in preparation of the Report. While elaborating on the ESG governance achievements, we also objectively report the challenges faced in our operations and the corresponding measures taken to address them.
Consistency	The report should use consistent methodologies. Any changes will be specifically stated.	Unless otherwise stated, we adopted the same statistical criteria and methods as in previous years to ensure comparability, and compared data for the Year with historical data to enable stakeholders to track the trajectory of change in performance.

## Environmental, Social and Governance Report

## ABOUT US

The Company has established a strong presence in the China's railway industry, serving as a leading rail fastening system provider. With over two decades of professionalism, we have built an exceptional reputation in the industry. Our products are widely applied across the railway network nationwide, covering the "Eight Vertical and Eight Horizontal" high-speed railway corridors, and fully meet the diversified needs of high-speed railway, heavy-haul railway, normal-speed railway and urban rail transit. Leveraging on our profound technical expertise and industry experience, we have become one of the few enterprises in China capable of producing the core components of rail fastener systems. We are also able to provide a stable supply of various components of rail fastener systems.

As one of China's seven high-speed railway fastening system integration providers certified by China Railway Test & Certification Center (CRCC), we are the only private company in Mainland China that has attained such certification. We have contributed to the completion of a number of landmark "China First" railway projects and participated in high-speed railway, heavy-haul railway and other railway projects with harsh operational environment. In addition, we continuously drive product innovation and have developed a diverse portfolio of railway fastening systems designed to cope with various extreme operational environments, such as plateaus, extreme cold or hot climates, heavy-haul railway and other specialised applications. Our welding materials product line also demonstrates strong performance, primarily focusing on flux cored wire for steel plate applications, and is widely supplied to shipbuilding companies and trading companies engaging in the shipbuilding industry.

In terms of standard certification, we have obtained various authoritative certifications domestically and internationally, including the ISO 9001 Quality Management System Certification, ISO 14001 Environmental Management System Certification, ISO 45001 Occupational Health and Safety Management System Certification and ISO 50001 Energy Management System Certification. In addition, our rail fastening system products have passed the CRCC certification, and our flux cored wire products have been certified by the classification societies in nine countries. Our laboratory passed the laboratory accreditation of the CNAS (China National Accreditation Service for Conformity Assessment) in 2016; and we have been successively recognised as a national high-tech enterprise in 2015, 2018, 2021 and 2024.

To ensure our product quality meets industry leading standards, we have established a rigorous quality management system equipped with a range of advanced testing equipment, including universal hydraulic testing machines, fatigue testing machines, spectrums, metallographic microscopes, and several types of hardness testers (such as Brinell, Rockwell and Vickers hardness testers), etc. In addition, we have set up physical laboratories, chemical analysis rooms and welding laboratories, and are able to conduct comprehensive performance testing and analyses on products. By continuously optimising our pre-sales and after-sales service processes, and by closely aligning our technological upgrades and product R&D with market demands, we are committed to driving the advancement of high technologies and consistently delivering high-quality products and services to our customers.

Leveraging continuous technological innovation as our core driving force, coupled with our outstanding product quality and service excellence, we will further consolidate and enhance our leading position in the field of railway fastening system.

## Environmental, Social and Governance Report

### BOARD DECLARATION

The Board places great emphasis on the Company's sustainable development and recognises its importance to sound operations in the long-term, and takes full responsibility for the Company's ESG strategies and reporting. The Board and all its members undertake that the contents of the Report contain no false records, misleading statements or material omissions.

As the top ESG governance body of the Company, the Board is responsible for formulating the sustainability management guidelines, strategies and objectives, and establishing and maintaining risk management and internal control systems of ESG. At the same time, the Board is also responsible for preparing the annual ESG report and overseeing the whole reporting process to ensure the accuracy and transparency of the content of the Report. The Company has established the ESG Leading Working Group to assist the Board in providing effective governance and supervision on ESG matters. This working group is responsible for reviewing the implementation of ESG policies and objectives, identifying the ESG risks (including climate-related risks) and opportunities faced by the Company, and reporting to the Board on a regular basis. In addition, the ESG Leading Working Group also supervises the assessment of ESG risks (including climate-related risks) and opportunities to ensure the appropriateness and effectiveness of the risk management and internal supervision systems. The Company attaches great importance to the potential impact of ESG-related risks and opportunities and has formally incorporated the identification and management of ESG risks into its overall risk management system. To implement various ESG tasks, an ESG working group has been set up under the ESG Leading Working Group, which is specialised for data collection and report preparation. This group maintains close cooperation with all departments and regularly reports the results to the ESG Leading Working Group.

The Company has established a sustainable development strategy and corresponding objective system, covering specific targets in key areas such as exhaust emissions, greenhouse gases, wastes, energy use and water resources, and has established a periodic review mechanism to continuously strengthen the systematic management of environmental performance. The ESG Leading Working Group is responsible for periodic review of the implementation progress and effectiveness of various ESG targets and reporting to the Board. The Company is committed to continuously monitoring the fulfilment of ESG targets, regularly reviewing their relevance and difficulties, and making timely adjustments and improvements according to internal and external environmental changes and stakeholders' expectations, so as to fulfil the Company's long-term responsibilities for the environment, society and governance.

The Company attaches great importance to communication with all stakeholders. We actively engage with all stakeholders through multiple public channels and extensively gather their opinions and expectations on the Company's ESG issues. We regularly assess material ESG issues and submit the assessment results to the ESG Leading Working Group for review. This communication mechanism helps the Company to better recognise material issues, identify and assess the ESG and climate-related risks that may be exposed to the Company. During the Reporting Period, we have completed the questionnaire on material issue assessment and adjusted the corresponding materiality matrix accordingly to ensure that it timely reflects the Company's operating environment and the major concerns of stakeholders.

Looking forward, the Board will continue to oversee and improve the ESG management and practice of the Company and work hand-in-hand with all stakeholders to create a sustainable future.

The Report, which discloses in detail the progress and effectiveness of the Company in ESG-related matters for 2025, has been reviewed and approved by the Board on 26 March 2026.

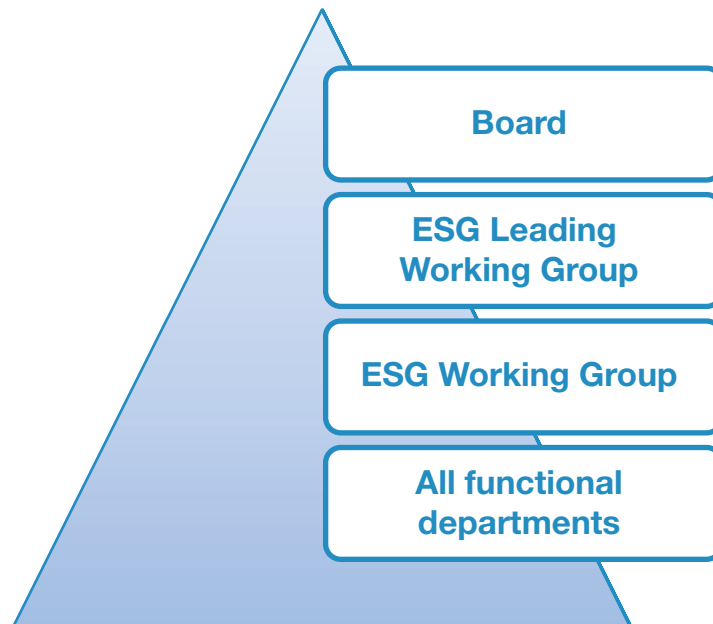
## Environmental, Social and Governance Report

## ESG GOVERNANCE

### ESG Governance Structure

By deeply integrating the ESG philosophy into its operation and management, Hebei Yichen continues to strengthen its communications with all stakeholders and enhance its sustainable development capabilities. We attach great importance to the effective implementation of ESG measures at the operational level. To this end, we have established a top-down four-tier ESG governance structure centred on the Board, which comprises the ESG Leading Working Group, the ESG working group, and all functional departments, so as to ensure the completeness and effectiveness of the ESG management system.

The Company's governance structure and functions for ESG matters are as follows:



## Environmental, Social and Governance Report

Governance level	Subject of governance
Board	<ul style="list-style-type: none"> <li>As the top ESG governance body, the Board is responsible for the assessment and identification of ESG-related risks, and for the approval and determination of ESG-related strategies and material ESG issues.</li> <li>It formulates management approaches, strategies and goals for sustainable development, and continuously enhances the Company's value and performance.</li> <li>It is fully responsible for assessing and determining the nature and extent of various risks, including those related to ESG and climate, and establishing and maintaining appropriate and effective risk management and internal control systems.</li> <li>It prepares the annual ESG report, supervises the report compilation process, and reviews and approves the publication of the report.</li> </ul>
ESG Leading Working Group	<ul style="list-style-type: none"> <li>With senior management and relevant department heads as members, it assists the Board in effectively supervising ESG and climate-related risks and opportunities through in-depth analysis and regular reporting.</li> <li>It regularly approves and reviews ESG goals and major action initiatives, monitors the implementation, and coordinates relevant work.</li> <li>It is responsible for analysing the risks and opportunities of ESG issues identified through the materiality assessment and periodic reporting to the Board.</li> <li>It formulates and reviews ESG-related strategies and management methods, and regulates ESG issues and related risks.</li> </ul>
ESG Working Group	<ul style="list-style-type: none"> <li>It comprises employees from various departments of daily operation, with the secretary to the Board as the leader to comprehensively coordinate the supervision and guidance of the ESG strategies. It is responsible for climate risk identification, assessment and construction of the management system, and continuously tracks the progress and measures of climate-related goals.</li> <li>It closely collaborates with all departments to gain an in-depth understanding of the operations; collects, analyses and consolidates ESG issues of concern from stakeholders for reporting to the ESG Leading Working Group and discussion of the materiality assessment results.</li> <li>It collects data related to climate risks and opportunities on a daily basis and promotes the implementation of climate action plans.</li> <li>It organises and prepares the Company's climate change-related information disclosure and reports the results of analysis to the secretary to the Board by the end of each quarter.</li> </ul>
All functional departments	<ul style="list-style-type: none"> <li>Under the guidance of the ESG working group, each functional department actively participates in ESG practices, ensuring that all employees implement the Company's ESG strategies and approaches in their daily work.</li> <li>They assist in the identification and analysis of issues with stakeholder concerns and provide key information to improve the materiality assessment.</li> <li>They integrate the concept of sustainable development into the operational process to foster the establishment and nurturing of the overall sustainable development culture.</li> </ul>

## Environmental, Social and Governance Report

We continuously promote the construction and management optimisation of the ESG system by integrating the concept of sustainable development deeply into the Company's operation and development strategies. Meanwhile, we closely follow global industrial trends, pay attention to the risks and opportunities brought about by changes in the external environment and the industry, assess the potential impacts of various risks on a systematic basis, and formulate corresponding countermeasures accordingly to strengthen the Company's resilience and adaptability in an evolving external environment. Through the aforementioned mechanisms, the Company strives to enhance the sustainability performance for both itself and its stakeholders, and to advance its ESG management to a high quality level.

### Stakeholder Communication

We fully recognise the importance of opinions of stakeholders from all walks of life to the Company's sustainable development. Through a regular and diversified communication mechanism, we are able to fully understand external concerns and expectations regarding the Company's environmental, social and governance aspects, identify the risks and opportunities involved, which enable us to seize opportunities to improve our sustainable development approaches and achieve long-term and stable corporate growth.

During the Reporting Year, the Company continued to optimise the stakeholder communication mechanism. In accordance with the principles of continuity, openness and transparency, we maintained regular and occasional engagement with the identified seven categories of internal and external stakeholder groups, comprising governments and regulators, shareholders and investors, customers, suppliers, staff, local communities and media, and conducted a questionnaire survey on material issues. We actively collected the opinions of each group on the Company's operation and sustainable development, and systematically integrated the analysis results of material issues into the operation decision-making and management processes, in a bid to ensure that specific actions are taken based on the outcomes of our communications and that we work hand-in-hand with stakeholders to advance sustainable development.

Stakeholders	Expectations	Communication channels
Governments and regulators	<ul style="list-style-type: none"> <li>✧ Compliance operation</li> <li>✧ Tax payment</li> <li>✧ Business and economic development</li> <li>✧ Social contribution</li> </ul>	<ul style="list-style-type: none"> <li>• Financial reports, announcements, notices and other public information</li> <li>• Communication by e-mail and phone call</li> <li>• Meeting/seminar participation</li> <li>• Meeting with government officials</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>✧ Return on investment</li> <li>✧ Information disclosure</li> <li>✧ Protection of shareholders' interests</li> <li>✧ Compliance operation and management</li> <li>✧ Anti-corruption</li> </ul>	<ul style="list-style-type: none"> <li>• Financial reports, announcements, notices and other public information</li> <li>• General meetings</li> <li>• Roadshow/telephone conference/conference with investors/shareholders</li> <li>• Enquiry through phone call/e-mail</li> <li>• Investors on-site visits</li> <li>• Information disclosure on the websites of the Stock Exchange and the Company</li> </ul>

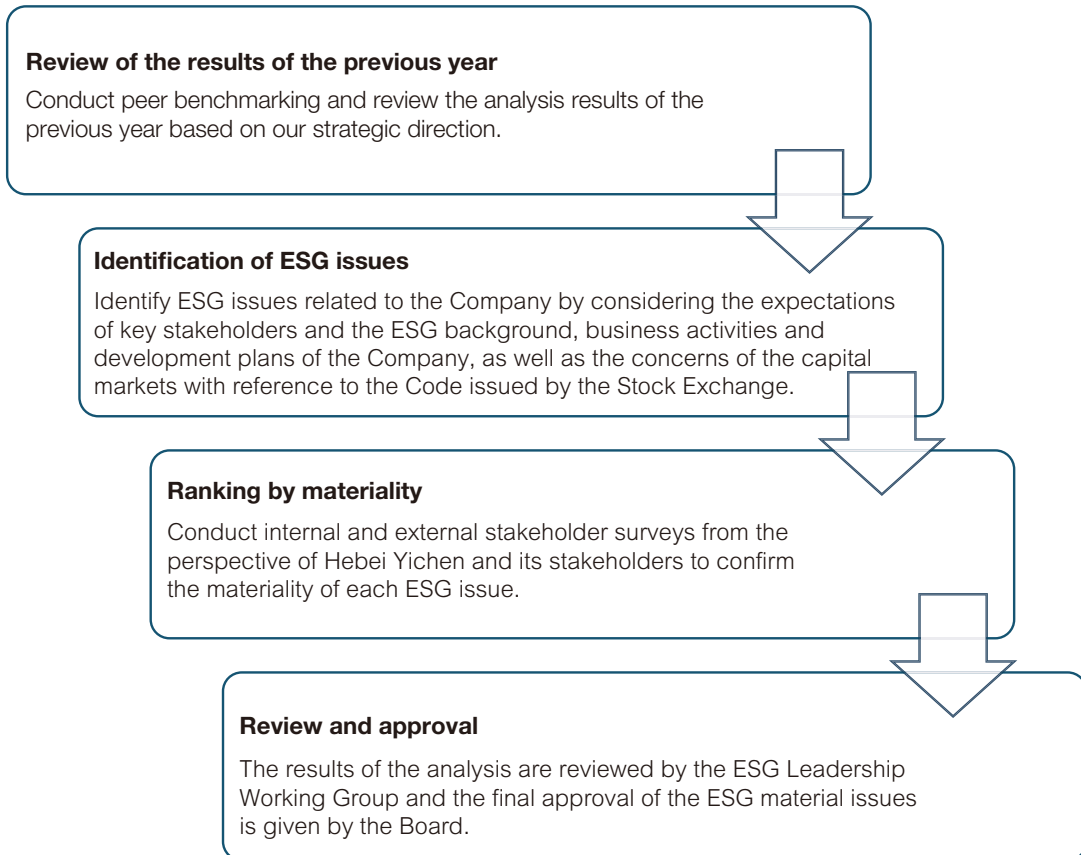
## Environmental, Social and Governance Report

Stakeholders	Expectations	Communication channels
Customers	<ul style="list-style-type: none"> <li>◇ Product and service quality</li> <li>◇ Fair and reasonable price</li> <li>◇ Contract performance</li> <li>◇ Smooth channels for complaint</li> </ul>	<ul style="list-style-type: none"> <li>• Daily communications</li> <li>• Official meetings with customers</li> <li>• On-site inspection</li> <li>• E-mail</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>◇ Fair competition</li> <li>◇ Long-term business relationship</li> <li>◇ Fair and reasonable price</li> <li>◇ Contract performance</li> </ul>	<ul style="list-style-type: none"> <li>• Daily communication</li> <li>• Meeting with suppliers</li> <li>• On-site inspection</li> <li>• E-mail</li> </ul>
Staff	<ul style="list-style-type: none"> <li>◇ Protection of staff's interests</li> <li>◇ Occupational health and safety</li> <li>◇ Staff welfare improvement</li> <li>◇ Training and career development space</li> <li>◇ Annual performance appraisal</li> <li>◇ Career development and opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Staff activities</li> <li>• Staff forums</li> <li>• Staff regular memoranda</li> <li>• Collection of staff opinions through direct communication</li> <li>• Staff training, seminars and briefings</li> <li>• Team building and other cultural events</li> </ul>
Local communities, NGOs, potential customers and the public	<ul style="list-style-type: none"> <li>◇ Employment opportunity</li> <li>◇ Ecological environment</li> <li>◇ Climate change</li> <li>◇ Community development</li> <li>◇ Public welfare</li> <li>◇ Reduction of pollutant emission</li> </ul>	<ul style="list-style-type: none"> <li>• Charity events</li> <li>• Community investment and service</li> <li>• Stakeholder engagement</li> <li>• Environmental protection activities</li> </ul>
Media	<ul style="list-style-type: none"> <li>◇ Information transparency</li> <li>◇ Sound relationship with the media</li> </ul>	<ul style="list-style-type: none"> <li>• Information disclosure on the websites of the Stock Exchange and the Company</li> <li>• Financial reports, announcements, notices and other public information</li> </ul>

### Analysis of Material Issues

The Company conducts the identification and analysis of material issues on a regular basis. We recognise that the support of stakeholders is the basis for the Company's long-term and sound development. Therefore, we always take into account the expectations and opinions of key internal and external stakeholders.

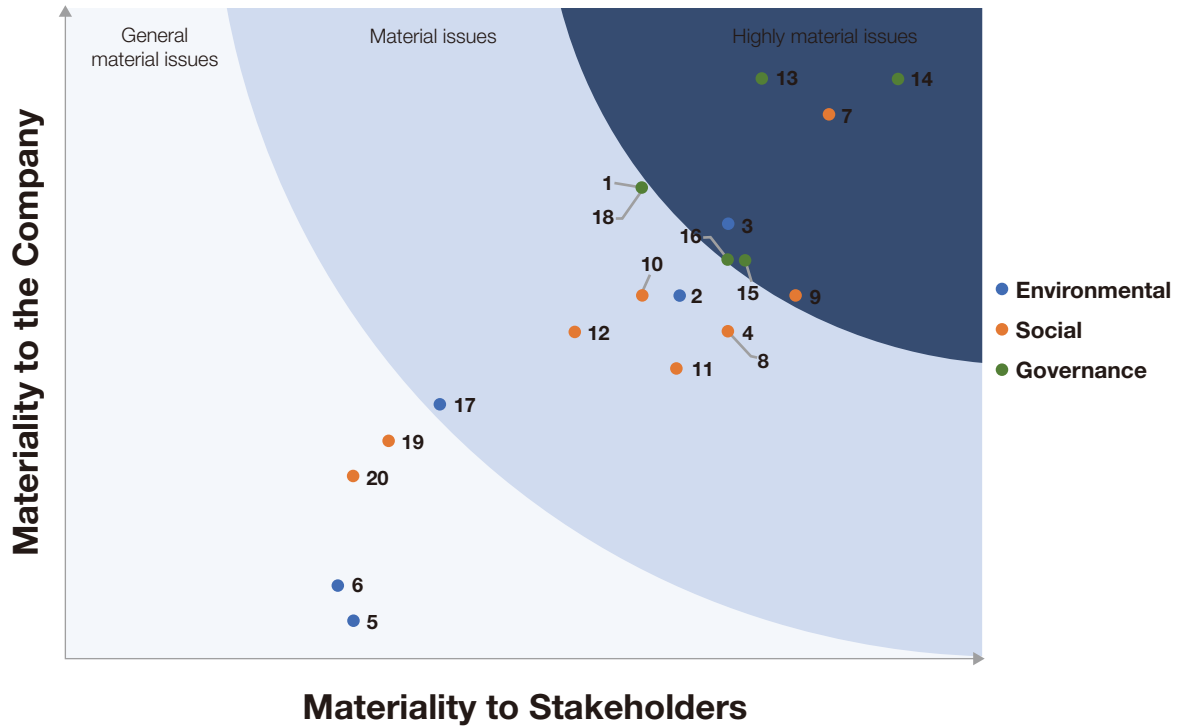
## Environmental, Social and Governance Report

*Process of material issue analysis*

To ensure the comprehensiveness and timeliness of identification of issues, we carried out a new round of identification and analysis of material issues during the Year, and systematically identified 20 ESG issues that are highly relevant to our business operations and are generally valued by the stakeholders, covering the three major areas of environment, social and governance. On this basis, through a systematic assessment of the degree of impact and an analysis of stakeholders' concerns, we developed a materiality matrix to clearly present the relative priority of each issue: issues in the upper right of the matrix are of higher materiality to both corporate development and stakeholder decision-making, while those in the lower left are of relatively lower priority. During the Year, "waste management" and "employee welfare" were elevated to high-priority issues in the materiality assessment. In response to stakeholders' concerns, we will continue to focus on these issues and address them in this Report, with details in relevant management initiatives and implementation effectiveness. This identification and analysis process not only helps us to clarify the core focus of sustainable development, but also provides a reliable basis for subsequent target setting, resource allocation and information disclosure.

Environmental, Social and Governance Report

The Results of Materiality Assessment of Hebei Yichen



Environmental	Social	Governance
1. Energy usage	7. Occupational health and safety	13. Compliance operation
2. Water resource usage	8. Occupational development and opportunity	14. Product quality and safety
3. Waste management	9. Employee welfare	15. Intellectual property rights
4. Air emission	10. Child labour and forced labour	16. Supply chain management
5. Climate change	11. Talent turnover	18. Anti-corruption
6. Greenhouse gas emissions	12. Employee training	
17. Use of packaging materials	19. Community involvement	
	20. Public welfare event	

During the Reporting Period, the content and KPIs as defined in the Code by the Company, which are relevant and significant to the Company’s operations, will be elaborated in the following four subject sections: “Building a Green Home Together Through Low Carbon Measures”, “Sharing Prosperity with Staff by Adopting People-oriented Principle”, “Focusing on Leading Business Success to Create Brilliance for the Company” and “Joining Hands with the Community to Share a Harmonious Future”.

## Environmental, Social and Governance Report

**BUILDING A GREEN HOME TOGETHER THROUGH LOW CARBON MEASURES**

By immersing the concept of low carbon and environmental-friendly measures in its operations, the Company actively works hand-in-hand with all parties in the creation of a greener and sustainable ecological home. We firmly promote the conservation of resources and energy, fully implement various ecological environmental protection measures, and proactively address the challenges and opportunities brought by climate change, striving for enhancing efficiency of resource and energy utilisation to promote sustainable development through concrete actions. Leveraging on our ongoing innovation and practical experience accumulation, we continue to enhance environmental awareness to steadily advance the green transformation of our Company, and make contribution to the global sustainable development.

As a leading manufacturer in the field of China's railway fastening system, the Company's business covers the manufacturing of rail fastening systems, the research and development, manufacturing and sales of such products as welding wire and railway sleepers, aiming to meet the diversified demands of the market. The railway transit equipment manufacturing industry is not a heavily polluting industry, nonetheless, we still prioritise the compliance of emission and pollution treatment within our operations to ensure that the discharge of each pollutant is in compliance with the national standards. Meanwhile, the Company has legally obtained the "Sewage Discharge Permission" (《排污許可證》) issued by the Administrative Approval Bureau of Shijiazhuang E&T Development Zone, demonstrating the specific results of compliant operations.

In terms of regulatory compliance, the Company pays close attention to and strictly complies with the environmental-related laws and regulations of the PRC and the places where we operate, covering the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法》), the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), the Management Measures for Energy Conservation (《節約用電管理辦法》), the Law of the PRC on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) and other relevant laws and regulations, so as to ensure that our business operations comply with legal regulations and environmental protection requirements.

## Environmental, Social and Governance Report

In order to systematically implement energy and environmental management, the Company has established an integrated management system covering quality, environment and occupational health and safety under the guidance of the national policies and in line with its operational conditions, and formulated two core institutional documents, namely the Energy Management Manual (《能源管理手冊》) and the Compilation of Environment Management System (《環境管理制度匯編》). The Energy Management Manual improves energy measurement, statistics, reporting and analysis mechanisms, specifies responsibilities for energy-saving positions, and incorporates energy-saving reward and punishment system and specific measures to ensure the continuous improvement of energy use efficiency. The Compilation of Environment Management System has built an all-round and multi-tier environmental protection management system, covering key processes such as project initiation, equipment operation and production process. In addition, the Company has established a regular meeting system for ecological environmental protection, holding special meetings on a regular basis to study and make plans for ecological environmental protection, review the implementation of environmental protection, identify issues and discuss improvement measures, so as to ensure the effective implementation of all environmental protection measures.

Through the establishment and enhancement of the above institutional systems, the Company has standardised and systemised for the long-term effectiveness of energy management and environmental protection, laying a solid foundation for the sustainable development of the Company. We have obtained the ISO 14001 Environmental Management System Certification and ISO 50001 Energy Management System Certification, which remained valid throughout the Reporting Period.

During the Reporting Period, the Company has fully complied with environmental regulations at all levels. No external environmental pollution was caused during the operation process, and no major environmental protection violations or penalty incidents occurred.

Our core KPIs relating to the discharge of pollutants, waste disposal as well as use of energy and resources are detailed below.

## Environmental, Social and Governance Report

## Emissions and Wastes

### *Air and Greenhouse Gas Emissions*

As natural gas and electricity comprise the main energy consumption by the Company, the environmental impact is mainly reflected in indirect greenhouse gas emissions, while direct carbon emissions are relatively low. During our production process, we consume natural gas for boilers. Nitrogen oxides, sulphur dioxides and direct greenhouse gas emissions from combustion are the key indicators of environmental performance under our main control.

To effectively control air pollutant emissions, we have adopted multi-tiered control measures for the casting process and waste gas treatment, which are described as follows:

- **Dust prevention in the casting process**  
During the production process, we turn on the dust removal fan before using the intermediate frequency stove to ensure the normal operation of the dust removal facilities, thereby reducing the impact of dust on air quality. We have also established a strict equipment maintenance mechanism to regularly maintain and overhaul the dust removal system, ensuring its stable operation for effective control of the concentration of dust emissions.

For sources of dust emission, we carried out treatments based on non-fugitive and fugitive emissions:

For non-fugitive emissions: The dust upon processing by water spray and pulse bag-type dust filters is collected by air collection hoods before the exhaust gas is finally discharged through a 15-metre high mast, effectively controlling the spread of dust and reducing the impact on the surrounding environment.

For fugitive emissions: Our production processes take place in sealed enclosures to reduce dust emissions at source. Meanwhile, a micro-mist dust reduction system is installed in our workshop aisles to ensure air humidity and further mitigate the fugitive emissions. A fresh air system is also installed on the top of workshops to strengthen air circulation and improve the quality of the working environment.

## Environmental, Social and Governance Report

- Waste gas emission treatment

Particulate matters in the waste gas are discharged after being processed by pulse bag-type dust filters, while non-methane hydrocarbons are discharged after being processed by pulse bag-type dust filters combined with activated carbon adsorption-desorption catalytic combustion devices. All pollutant levels consistently meet the standards. Particulate matter emissions meet the Emission Standard of Air Pollutants for Foundry Industry (《鑄造工業大氣污染物排放標準》) (GB 39726-2020), and the non-methane hydrocarbon emissions meet the Emission Control Standard of Volatile Organic Compounds for Industrial Enterprises (《工業企業揮發性有機物排放控制標準》) (DB 13/2322-2016). The Company regularly entrusts qualified testing agencies to conduct emission tests to ensure that the concentration level of pollutants meets regulatory requirements. In addition, we continuously implement the maintenance of environmental protection equipment to maintain normal operation of the system for minimising waste gas emissions.

- Mobile pollution source management

The unleaded gasoline and diesel used by the Company's vehicles are the sources of mobile greenhouse gas emissions. All vehicles are refueled at qualified Sinopec gas stations to ensure fuel quality. They have also passed the environmental inspection by local vehicle inspection agencies, with emission indicators meeting the relevant environmental regulations. To further mitigate the impact of our vehicles on air quality and greenhouse effect, the Company has replaced all its forklifts for transportation purpose with models in line with the National III emissions standard. Currently, one of our forklifts uses new energy, and we will prioritise the use of new energy models if there is any new demand in the future. In addition, all forklifts are equipped with exhaust gas purification devices and are regularly maintained to ensure operating efficiency and maximise the fuel economy.

- Use of renewable energy

In response to the nation's policy on promoting the use of clean energy, the Company has installed photovoltaic power generation equipment in unused space on rooftops of its factories. Photovoltaic power generation helps to reduce our dependence on traditional energy sources and promote the use of renewable energy. This has reduced overall energy consumption, and effectively reduced the emissions of carbon dioxide and other hazardous gases, making positive contributions to mitigate global climate change and improve local air quality.

## Environmental, Social and Governance Report

Details of air emissions and greenhouse gas emissions by the Company for the Reporting Period are summarised as follows:

(Unit: kg)		2025		2024	
Types of air emissions	Sources of emission	Emissions	Density <sup>(Note 1)</sup>	Emissions	Density <sup>(Note 1)</sup>
Nitrogen oxides (NO <sub>x</sub> )	<ul style="list-style-type: none"> <li>Natural gas</li> <li>Company's vehicles</li> </ul>	<b>1,382.32</b>	<b>5.01</b>	812.08	5.07
Sulphur dioxides (SO <sub>x</sub> )	<ul style="list-style-type: none"> <li>Natural gas</li> <li>Company's vehicles</li> <li>Tractor shovels</li> </ul>	<b>342.49</b>	<b>1.24</b>	200.15	1.25
Particulate matters (PM) <sup>(Note 2)</sup>	<ul style="list-style-type: none"> <li>Natural gas</li> <li>Company's vehicles</li> </ul>	<b>137.65</b>	<b>0.50</b>	80.66	0.50
Total		<b>1,862.45</b>	<b>6.76</b>	1,092.89	6.83

(Unit: tCO <sub>2</sub> e) <sup>(Note 3)</sup>		2025		2024	
Scope of greenhouse gas emission	Sources of emission	Emissions	Density <sup>(Note 1)</sup>	Emissions	Density <sup>(Note 1)</sup>
<b>Scope 1</b> Direct emission	<ul style="list-style-type: none"> <li>Natural gas consumption</li> <li>Unleaded gasoline and diesel consumed by vehicles</li> <li>Refrigerant</li> <li>Reduction by planting new trees</li> </ul>	<b>1,762.08</b>	<b>6.39</b>	1,170.49	7.31
<b>Scope 2</b> Indirect emission	<ul style="list-style-type: none"> <li>Consumption of electricity</li> </ul>	<b>68,254.22</b>	<b>247.57</b>	68,004.72	424.68
Total		<b>70,016.30</b>	<b>253.96</b>	69,175.21	431.99

## Environmental, Social and Governance Report

Note 1: Density is calculated by dividing total emissions by total annual production (kilotonne).

Note 2: It was mainly attributable to natural gas consumption for heating by the Company and fuel consumption by its vehicles. Certain amount of dust (i.e. particulate matters (PM)) is also produced during the casting process of the Company. Nevertheless, with the majority of dust eliminated via dust removal devices, the residual dust is fugitive and cannot be accurately measured and is therefore not included in the table above.

Note 3: Carbon dioxide equivalent ("CO<sub>2</sub>e") (tonne) represents a unit of measurement based on the greenhouse effect produced per tonne of CO<sub>2</sub> to measure and compare the greenhouse effect from the emissions of different greenhouse gases, including carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O).

During the Reporting Period, the total air emissions amounted to 1,862.45 kg, the direct carbon emission under Scope 1 of greenhouse gas emission amounted to approximately 1,762.08 tonnes and the indirect carbon emission under Scope 2 amounted to approximately 68,254.22 tonnes. When compared with last year, the total air emissions for the Year increased by 70.41% as compared with 2024, with density decreased by 1.02%, and the total greenhouse gas emissions increased by 1.22%, with density decreased by 41.21%. The Company has set targets for total air and greenhouse gas emissions which take 2024 as the baseline year and aim to reduce air emission density by 5% (air emission (kg)/total annual production (kilotonnes)) and greenhouse gas emission density by 5% (tCO<sub>2</sub>e/total annual production (kilotonnes)) over the next 3 years. As of 2025, the density of air and greenhouse gas emissions has effectively decreased, in particular for the density of greenhouse gas emissions, mainly due to the impact of the following three aspects:

First, the Company successfully completed the completion acceptance of two key production and construction projects, namely, the Technical Transformation Project of Railway Components Casting (《鐵路配件鑄造技改項目》) and the R&D and Manufacturing Project of High-speed Railway Heavy-haul Fastening Accessory Systems (《高鐵重載扣配件系統研發製造項目》) in 2025. Through the technical upgrading of the original production line and the construction of new production lines, the overall production and operation efficiency has been significantly improved, laying a solid foundation for the subsequent release of production capacity and stable quality. Second, to meet the changing market demands, the Company laid out the strategic plan for the new product solid wire at the end of 2021 and achieved the commencement of full-scale production in 2024. During the Reporting Period, with the steady release of production capacity, the scale effect gradually revealed, effectively improving the energy utilisation efficiency, reducing the energy consumption and emission levels per unit product, and further enhancing the market competitiveness of the products. Third, in terms of regional layout, the Company established a subsidiary focusing on the production of railway sleeper products in Guizhou and achieved full production in 2025. By using advanced and efficient equipment, the factory's overall operation efficiency has been significantly improved, while its energy consumption and emission level have been effectively controlled, fully demonstrating the strategic effect of such layout. This production launch not only significantly expanded the Company's production scale, but also achieved a remarkable decrease in energy consumption and emissions per unit product during the process of production capacity improvement, creating a new growth point for the Company's sustainable development and market expansion.

## Environmental, Social and Governance Report

In response to the complex and changing external environment, the Company actively advanced the optimisation of its infrastructure layout, construction and renovation of production facilities, as well as the development of new products in recent years to constantly enhance its core competitiveness. We are confident that through systematic environmental management practices and technological upgrades, we can effectively fulfill our social responsibilities and contribute to the achievement of sustainable development goals while maintaining our stable and healthy development. To this end, we will spare no effort and contribute to the sustainable development of society by fulfilling our due responsibility and commitment.

Please refer to the section headed “Environmental Protection Measures” for the Company’s emissions reduction measures.

***Hazardous and non-hazardous waste***

During the Reporting Period, hazardous wastes generated by the Company mainly arise from the production process and exhaust gas treatment facilities, including waste motor oil, waste cutting solvent, Dacromet waste residues, and a small amount of waste activated carbon generated in the exhaust gas adsorption and desorption process. Non-hazardous wastes mainly include the waste sand produced in our foundries.

For various types of waste, the Company facilitates its management from the two aspects of recycling and final treatment:

**Recycling**

- Full recycling and reuse of scrap steel: All kinds of scrap steel generated during the welding material production process are collected and reused as raw material in our foundries, which saves the cost of raw material procurement and avoids applying the harmless treatment or landfill processing to scrap steel, thereby significantly reducing the environmental impact and achieving full recycling and use of resources.
- Classification management of raw material residues: For raw material residues generated during the production process, a centralised collection and classification mechanism is established to ensure that all materials are properly stored and included in the recycling process to improve the efficiency of resource utilisation.
- Partial internal reuse of waste motor oil: After being collected, certain waste motor oil is transferred and reused in the thread rolling process of equipment workshop. All of the temporary storage places meet the relevant safety regulations for the storage of hazardous waste.

**Disposal measures**

- Outsourcing the disposal of hazardous waste: For the hazardous waste that cannot be reused, including waste cutting solvent, Dacromet waste residues, waste activated carbon and waste motor oil that cannot be reused, we engaged qualified third party agencies for recycling on a regular basis every year in accordance the Hazardous Waste Harmless Disposal Contract.
- Recycling of non-hazardous waste: All the waste sand produced in the foundries is sold to specialised recyclers as raw material for brick making, thereby effectively reducing the environmental impact and promoting the recycling of resources.

## Environmental, Social and Governance Report

Through the above management mechanism of recycling and treatment, the Company continuously optimises the waste treatment process and implements the concept of circular economy, reducing the negative environmental impact of its operations. The total emission of hazardous waste for the Year amounted to 16.54 tonnes. The total emission of non-hazardous waste for the Year amounted to 7,503.10 tonnes, an increase of 115.03% from 2024, mainly due to the significant increase in production capacity in 2025. At the same time, the emission density of non-hazardous waste increased by 24.89% as compared with 2024, mainly due to the continuous expansion of production capacity of the foundries. In addition, the technological transformation project of railway components casting was officially completed and put into operation for the Year. The new production line was under the process optimization stage during the initial phase of operation, resulting in a phased increase in the density of waste sand generation. In response to this situation, we have included it in the scope of continuous monitoring and set clear control targets. Taking 2024 as the baseline year, we aim to reduce the waste sand generation density by 5% (waste sand generation (tonne)/total annual production (kilotonnes)) over the next 3 years. We will strive to reduce the waste sand generation density and promote resource recycling and environmental performance improvement through measures such as continuous optimisation of production processes and improvement of system efficiency.

Other non-hazardous wastes that are not from raw materials, including the packaging material from suppliers, domestic waste and office waste, were collected by the environmental and sanitation company of the industrial park in a centralised manner, and transported to landfill area for landfilling. Given the insignificant impact on the environment and small amount of such waste, no statistics are provided herein.

The hazardous and non-hazardous wastes generated by the Company for the Year are summarised as follows:

Types of waste	Hazardous/ Non-hazardous	2025			2024		
		Amount generated	Unit	Density <sup>(Note 1)</sup>	Amount generated	Unit	Density <sup>(Note 1)</sup>
Waste motor oil	Hazardous	8.50	tonnes	0.03	9.48	tonnes	0.06
Waste solvent	Hazardous	1.98	tonnes	0.01	3.09	tonnes	0.02
Waste activated carbon	Hazardous	3.84	tonnes	0.01	4.24	tonnes	0.03
Waste cotton filter	Hazardous	14.30	kg	<0.01	3.10	kg	<0.01
Oil-containing cloth	Hazardous	6.11	kg	<0.01	18.90	kg	<0.01
Waste paint slag	Hazardous	2.20	tonnes	0.01	/	/	/
Waste sand	Non-hazardous	7,503.10	tonnes	27.21	3,489.30	tonnes	21.79

Note 1: Density is calculated by dividing the amount generated (tonnes) by total annual production (kilotonne).

The Company will continue to promote energy conservation and emission reduction, actively practise the concept of low-carbon environmental protection, and strive to achieve the operation goal of sustainable development.

## Environmental, Social and Governance Report

### Use of Energy and Resources

The Company attaches great importance to energy conservation and management, fully complies with the requirements of the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》) and relevant regulations, and incorporates energy conservation and emission reduction into all aspects of its production and operation. Natural gas and electricity are the main energy sources consumed during our production. All exhaust gas generated from combustion of natural gas is discharged in compliance with the national environmental protection standards. The ventilation equipment is installed to maintain good ventilation for the small amount of suspended particles generated during the cutting process, effectively reducing the concentration of pollution in the workshop.

To systematically promote energy saving, the Company has formulated and implemented an overall electricity consumption programme covering equipment upgrading and operation management. The purpose of this programme is to directly reduce equipment losses through hardware updates and to optimise the pattern of power usage via refined management, aiming to reduce the overall electricity consumption and electricity cost using the two-pronged approach. This programme officially entered the implementation stage on 24 July 2025 following a project communication meeting. It will be subject to constant equipment replacement and operational control measures based on the schedule nodes, with its effectiveness of energy-saving being tracked on a regular basis as a way to achieve the goals of green manufacturing and sustainable development with concrete actions.

#### Overall electricity consumption programme

Aspect	Core measures	Detailed content and plan
Hardware equipment upgrade	Eliminating high-energy-consuming transformers	Regarding the S9 series transformers in the old factory area, we plan to gradually eliminate such transformers during the relocation of the old factory and replace them with new S13 series transformers with higher energy efficiency.
	Replacing high-energy-consuming motors	According to the national standards, high-energy-consuming motors shall be immediately replaced with energy-saving motors once damaged. Those without any damage are planned to be gradually replaced within 2 to 3 years according to the frequency of use.
Management of electricity load	Implementing the four principles of balanced electricity consumption	We follow the four principles of load shifting, load alert, internal coordination and dynamic adjustment to avoid temporary peak loads and stabilise the maximum demand in order to lower the basic tariff.

## Environmental, Social and Governance Report

During the Reporting Period, the energy consumption structure of the Company demonstrated a favourable trend of increase in total consumption with decrease in energy consumption per unit. The natural gas consumption amounted to 618,225.50 m<sup>3</sup>, representing an increase of 71.84% as compared with last year, mainly due to the continuous expansion of production capacity and the increased energy demand as a result of the full operation of the subsidiary in Guizhou. At the same time, energy density decreased by 0.19%, indicating that the energy efficiency remained basically stable. The total electricity consumption amounted to approximately 108,281 MWh, representing an increase of 7.09% with significant decrease in energy density by 37.80% as compared with last year, fully reflecting the effective control and efficiency improvement in energy management of the Company. In addition, the Company has constructed and installed photovoltaic power generation equipment in unused space on rooftops of its factories, with an annual self-generated power of approximately 769 MWh, effectively increasing the proportion of renewable energy usage and reducing overall energy costs.

During the Year, gasoline consumption increased by 10.41%, with density decreased by 35.87%; and diesel consumption increased by 6.29%, with density decreased by 38.27% as compared with last year. Such changes were mainly due to the continuous expansion in scale of production and operations, which has led to an increase in the demand for vehicle use. However, with the significant improvement in production capacity, the energy consumption per unit product shows a downward trend, reflecting the continuous improvement of energy use efficiency.

Water consumption was mainly attributable to the water refill of the cooling system of the equipment and domestic water consumption by staff in our factories. Water consumption during the Year increased by 59.75%, with density decreased by 7.21% as compared with last year. For the management of wastewater and sewage, we have taken comprehensive measures. All wastewater generated during the production was recovered by the recycling system and was not discharged directly to the external environment. Wastewater from site cleansing of laboratories, after sedimentation and filtration, was discharged together with staff's domestic sewage to local wastewater treatment plants for centralised treatment. In addition, the substantial amount of water required by the cooling system can all be recycled and reused, so the actual discharge is limited. Rainwater collected by rainwater hoppers and rainwater gullies, together with the surface water in plant area, were discharged to the municipal pipe network of the industrial area by underground pipe system. The small amount of domestic sewage from office area was also be discharged to municipal pipe network and collectively treated by relevant government authorities. Generally speaking, we have implemented measures such as recycling and centralised treatment for wastewater and sewage management to minimise the environmental impact. There was no issue in the supply of water sources.

## Environmental, Social and Governance Report

The Company has set targets for the above four types of energy efficiency and water resource use with 2024 as the baseline year, which aim to reduce consumption density by 5% (MWh, m<sup>3</sup>, litres, tonnes/total annual production (kilotonne)) over the next 3 years. As of 2025, density of electricity, natural gas, gasoline and diesel all demonstrated a downward trend. Overall, notwithstanding the energy consumption of the Company for the Year increased significantly with the expansion of the production scale, the downward trend of energy density reflects the ongoing efforts of the Company to optimise its energy use structure and improve operational efficiency while ensuring the improvement of production capacity, thereby achieving the coordinated advancement of both capacity expansion and energy conservation. We will continue to promote the rationalisation of energy use, take effective measures to reduce fuel consumption and losses, and further improve equipment efficiency, steadily moving towards the goal of sustainable development.

Energy consumption of the Company during the Year is summarised as follows:

Energy consumption		2025		2024	
Types of energy	Unit	Amount consumed	Density <sup>(Note 1)</sup>	Amount consumed	Density <sup>(Note 1)</sup>
Electricity	MWh	<b>108,281</b>	<b>392.75</b>	101,115	631.46
Including:					
Purchased electricity	MWh	<b>107,512</b>	<b>389.96</b>	100,361	626.75
Self-generated power <sup>(Note 2)</sup>	MWh	<b>769</b>	<b>2.74</b>	754	4.71
Natural gas <sup>(Note 3)</sup>	m <sup>3</sup>	<b>618,226</b>	<b>2,242.38</b>	359,768	2,246.72
Gasoline <sup>(Note 3)</sup>	litres	<b>76,008</b>	<b>275.69</b>	68,843	429.92
Diesel <sup>(Note 3)</sup>	litres	<b>83,603</b>	<b>303.24</b>	78,660	491.22

Water consumption	Unit	2025	2024
Total water consumption	tonnes	<b>31,834</b>	19,927
Density <sup>(Note 1)</sup>	tonnes	<b>115.47</b>	124.44

Note 1: Density is calculated by dividing the amount consumed by total annual production (kilotonne).

Note 2: Method of self-power generation: solar power.

Note 3: A total of approximately 8,097.46 MWh of non-renewable fossil fuel was consumed directly, which represented a density of approximately 29.37 MWh/kilotonne. Conversion to MWh as calculation unit refers to the Energy Statistics Manual published by the International Energy Agency.

## Environmental, Social and Governance Report

*Packaging materials*

During the Reporting Period, the Company's consumption of packaging materials is set out below, which mainly include plastic and paper used for packing finished products. The consumption of packaging materials for the Year decreased by 3.38%, with density significantly decreased by 43.88% from last year. The primary reason for this change is the commencement of full operation of the Guizhou subsidiary which was newly included in the Company's reporting scope during the Reporting Period. Due to the characteristics of this subsidiary's products, its production and operation processes do not involve the consumption of packaging materials. During the Reporting Period, we actively implemented the paperless measures and significantly reduced the consumption of packaging materials, demonstrating the effectiveness of these initiatives. To continuously advance green operations, the Company has set a clear target for packaging material consumption with 2024 as the baseline year, which aims to reduce the packaging material density (i.e., tonnes of packaging material consumed/thousand tonnes of total annual production) by 5% over the next three years. Looking ahead, we will continue to implement effective measures to further optimise packaging design and usage efficiency, striving to reduce resource consumption and fulfil our commitment to sustainable development.

Consumption of packaging materials (Unit: tonnes) Type	2025		2024	
	Consumption	Density <sup>(Note 1)</sup>	Consumption	Density <sup>(Note 1)</sup>
Paper	<b>890.21</b>	<b>3.23</b>	958.59	5.99
Plastic	<b>1,538.76</b>	<b>5.58</b>	1,547.57	9.66
Nylon	<b>29.30</b>	<b>0.11</b>	38.20	0.24
Total	<b>2,458.26</b>	<b>8.92</b>	2,544.36	15.89

Note 1: Density is calculated by dividing total consumption by total annual production (kilotonne).

For details of our environmental conservation measures regarding energy, water and packaging materials, please refer to the section headed "Environmental Protection Measures".

## Environmental, Social and Governance Report

### Environment and Natural Resources

The Company strictly complies with national and local environmental regulations, including but not limited to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) and Meteorology Law of the PRC (《中華人民共和國氣象法》), ensuring that our operations comply with local environmental protection requirements. We are committed to minimising the impact on the environment and natural resources in our operation, continue to implement the strategy of “One Control, Double Target-hits”, and strictly comply with the environmental protection principle of “Three Simultaneous”, i.e., simultaneous consideration of environmental protection measures at each stage of design, construction and production, under which targeted environmental protection management is implemented from five aspects, namely technique selection, feasibility study, design, procurement and transportation of environmental protection equipment and the construction phase, to prevent the generation of new pollutants. At the same time, environmental monitoring of environmental protection equipment is carried out regularly in the production process every year to strengthen production and environmental management.

During construction, the Company rigorously implements the principle of “Three Simultaneous” for environmental protection. Natural environmental factors are incorporated into the feasibility assessment from the site selection stage, and environmental baseline surveys and impact assessments are completed before construction commences. We strictly follow statutory procedures to complete the environmental impact assessment process and implement meticulous pollution control measures. Exhaust gases are treated to meet discharge standards before emission. Circulating cooling water is used in a closed-loop system. Water used in the sand mixing process is entirely consumed within the production process with no wastewater discharge. Domestic sewage is pre-treated in septic tanks before being discharged into the municipal sewage network. All solid waste is properly cleared and disposed of, achieving the goal of zero external discharge. Regarding construction noise that mainly generated from machineries, air pumps, saw machine, etc., to reduce the interference to the outside, sealed enclosures and sound insulation materials have been in place for workshops, double-layer soundproof glass is installed for windows, and air pumps are set in separate soundproof rooms. After testing, industrial boundary noise complied with the Class 3 standards of the Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008) (《工業企業廠界環境噪聲排放標準》). Furthermore, we conduct regular tracking and monitoring of environmental elements such as ambient air, groundwater and soil. Results indicate that emissions of waste gases, wastewater and noise all meet standards, and solid waste is properly disposed of. During the Reporting Year, the Technical Transformation Project of Railway Components Casting (《鐵路配件鑄造技改項目》) and the R&D and Manufacturing Project of High-speed Railway Heavy-haul Fastening Accessory Systems (《高鐵重載扣配件系統研發製造項目》) both passed on-site expert acceptance inspections and received comments on the environmental protection acceptance at project completion.

Recognising that waste gas is the primary pollution source in the production process, the Company has implemented strict controls on waste gas emissions and continuously promoted the upgrading and optimisation of related facilities, effectively preventing significant adverse impacts on the environment, natural resources and ecosystems.

The Company attaches great importance to environmental protection, regarding it as a cornerstone for corporate sustainable development, with full implementation of relevant environmental policies across all aspects of production and operations. We actively promote the implementation of green practices such as waste recycling and alternative materials through the optimisation of production processes, the improvement of production practices and the selection of environmental materials, to effectively reduce the generation of various pollutants, and minimise the adverse effect on the environment. At the same time, during the Reporting Period, the Company carried out systematic greening and planting work within its headquarters campus, including the planting of a total of 564 trees and plants such as ginkgo, red-flowering plum and cherry blossoms, which has effectively enriched the plant diversity of the campus and improved the quality of the ecological landscape. This initiative not only enhances the campus environment and air quality, but also contributes to soil and water conservation and the creation of habitats for biodiversity, demonstrating the Company’s concrete actions and long-term commitment to environmental protection and the sustainable use of natural resources. In the future, we will continue to promote green and low-carbon operations, safeguarding the ecological environment with concrete actions.

During the Reporting Period, Hebei Yichen did not experience any incidents that caused significant impacts on the environment or natural resources at its operating locations.

## Environmental, Social and Governance Report

### Coping with Climate Change

Hebei Yichen continuously identifies and analyses climate change factors affecting the Company's operations by reference to Part D "Climate-related Disclosures" of the Hong Kong Stock Exchange ESG Code and the International Financial Reporting Standards Sustainability Disclosure Standard No. 2 Climate-related Disclosures (IFRS S2) issued by the International Sustainability Standards Board (ISSB). Based on our actual circumstances, it has formulated a series of strategies and measures to address climate-related risks and opportunities, actively responding to climate change.

### Governance

As the highest governance body for the Company's climate change matters, the Board of Directors of Hebei Yichen assumes the ultimate responsibility for climate-related strategies and information disclosure. The Board of Directors authorises the ESG working group to be responsible for the identification, assessment and management supervision of climate risks and to make suggestions on the formulation and implementation progress of climate goals. The ESG working group systematically collects information and data related to climate risks and opportunities through daily work, actively promotes the implementation of various climate action plans, and reports to the secretary to the Board at the end of each quarter.

The secretary to the Board serves as the leader of the ESG working group, comprehensively overseeing and guiding the operation of the working group, and regularly submitting professional analyses and suggestions to the Board of Directors. The Board of Directors reviews the ESG report regularly every year, and keeps abreast of the latest developments in climate-related risks and opportunities, ensuring that climate factors are effectively integrated into the Company's overall strategic planning. In the process of overseeing the Company's strategies, major transaction decisions and risk management, the Board of Directors will systematically consider climate-related risks and opportunities, carefully weigh the transformation costs and long-term sustainable benefits, to promote the Company's low-carbon and sustainable development.

The ESG Leading Working Group comprises of senior management and supervisors of relevant departments, and assists in overseeing climate-related risks and opportunities. Through active communication and collaboration with the secretary to the Board, the Working Group regularly reports relevant findings and suggestions to the Board of Directors to effectively support the Board in fulfilling its governance and supervision functions regarding climate-related matters. For a detailed description of the governance structure, please refer to the sub-section "ESG Governance Structure" above.

## Environmental, Social and Governance Report

To continuously enhance the understanding and governance capabilities of the Board of Directors and management on climate issues, the Company organises regular trainings on climate-related theme every year. During the Reporting Period, a special training course on carbon management was conducted for the Board of Directors and management, covering key topics such as the carbon management frameworks, carbon emission accounting methods, carbon reduction path planning, carbon trading market mechanisms, and relevant domestic and international laws and regulations and policies. It aims to systematically enhance the participants' professional knowledge and decision-making capability in carbon management, laying the foundation for the Company to achieve its energy conservation and emission reduction goals. The Company currently has not incorporated climate-related considerations into its remuneration policy.

**Strategy**

Hebei Yichen assesses the impact of climate-related risks and opportunities on the Company's operations and value chain on a regular basis. During the Year, we further identified and sorted out the potential short-term, medium-term and long-term impacts of climate-related risks and opportunities on the Company's operations and finances based on our own business operations, and with reference to internationally recognised climate change trend forecasts and the advice from external experts.

During the Reporting Period, the Company continued its efforts in identification and assessment of climate-related risks and opportunities. Considering that the impact on the financial statements for the next reporting year has yet to be quantified separately, and that the relevant measurement methods are still in the exploratory stage while the data collection and analysis mechanisms for climate-related scenario analysis are subject to further improvement, in order to ensure the accuracy, effectiveness and rigorousness of information disclosure and to avoid misunderstandings among stakeholders, the Company has not yet disclosed the quantitative information of the climate-related financial impact or the content of climate change scenario analysis at this stage. Furthermore, we have not yet implemented the climate-related transformation plan. Going forward, we will continue to strengthen the construction of relevant mechanisms and enhance our capabilities, gradually promote and optimise climate-related information disclosure, and progressively achieve improvement in future reports.

## Environmental, Social and Governance Report

**Climate-related Physical Risk**

Hebei Yichen has fully identified the potential impacts that extreme climate events may have on the operations. The Company has systematically evaluated acute and chronic climate risks from three aspects: risk type, time dimension, and degree of impact, and has taken corresponding counter-measures.

Risk category	Impact on business and value chain	Potential financial impact	Time frame <sup>1</sup>	Response measures
Acute physical risk (extreme weather events such as floods, rainstorms, and typhoon)	Extreme weather events (such as floods, rainstorms, and typhoon) will cause direct damage to the Company's production facilities and operational premises, leading to damage or scrapping of the Company's fixed assets and interruption of production; the impact of extreme weather events could hit the supply chain of the Company. Suppliers' production facilities and operations will be damaged, resulting in supply chain disruption; the health and safety of employees, customers, or business partners will be affected by extreme weather, which may result in the interruption of business operation.	Impairment of fixed assets, higher operating costs, and lower revenue	Short-term, medium-term, long-term	<ul style="list-style-type: none"> <li>Have formulated the "Meteorological Disaster Emergency Plan" (《氣象災害應急預案》) to clarify the standardised handling procedures and counter-measures for disasters, to improve the response ability and handling efficiency in dealing with emergencies.</li> <li>Strengthen the systematic management and regular maintenance of operational facilities, and maintain necessary insurance for plant and key equipment, effectively reducing the negative financial impact of such accidents on the Company.</li> <li>Actively strengthen the diversified layout and flexible management of the supply chain. Specific strategies include expanding alternative supply channels for key materials and cooperating with multiple suppliers located in different provinces in China for major raw materials, thereby effectively dispersing regional risks. At the same time, sound procurement plans and safety stock management can enhance the overall supply chain's resilience to risks.</li> </ul>

<sup>1</sup> Considering the core business plan, the time frame for the social low-carbon development goals, climate-related disclosure standards, and management suggestions, we have set the time frame as within 2 years (including 2 years, short-term) after the end of the Reporting Period; from 2 to 5 years (including 5 years, medium-term) after the end of the Reporting Period; and more than 5 years (long-term) after the end of the Reporting Period, in order to reasonably evaluate the impact of climate on the Company's business development in different time periods.

## Environmental, Social and Governance Report

Risk category	Impact on business and value chain	Potential financial impact	Time frame <sup>1</sup>	Response measures
Chronic physical risk (rising sea levels and average temperatures)	Rising average temperatures may lead to an increase in employees' water consumption, requiring more cooling equipment or longer operating time of cooling equipment, thus increasing energy consumption; changes in temperature and rainfall will also have an impact on public infrastructure; prolonged high temperatures may increase the likelihood of fire accidents, and employees may not be able to work outdoors for a long time, thus affecting operational efficiency.	Lower revenue, higher operating costs	Medium-term, long-term	<ul style="list-style-type: none"> <li>• At the stage of selecting office locations, identify and assess the pressure on water and energy supply in the area, and make a reasonable layout for the location.</li> <li>• Conduct regular inspection on the power system and cooling facilities to prevent fires.</li> <li>• Carry out energy conservation and environmental protection to improve energy and water efficiency, so as to minimise the impact of corporate operations on the natural environment. During the Year, we implemented a comprehensive plan to reduce electricity consumption. By optimising the power consumption pattern through hardware upgrades and refined load management, we achieved an overall reduction in electricity consumption through this two-pronged approach.</li> </ul>

## Environmental, Social and Governance Report

**Climate-related transitional risks**

As global climate change intensifies, the transition to a low-carbon economy has become a clear trend, which brings multi-dimensional climate transition risks to the Company. Effective identification and management of these transitional risks is crucial for the Company to maintain long-term operational resilience and competitive advantages.

Risk categories	Impact on business and value chain	Potential financial impact	Time frame	Response measures
Policy and legal risks (compliance risks and information disclosure)	The increasingly strict laws and regulations in response to climate change may increase the Company's compliance costs and operating expenses, and expose it to the risks of production restrictions, technological transformation, or early elimination. These factors may fundamentally affect the Company's long-term investment decisions and business planning. Facing more stringent climate-related information disclosure requirements, if the Company fails to develop a sound information disclosure capacity and relevant data statistical management capacity in a timely manner, it may face compliance disclosure risks, which will have a negative impact on our reputation.	Increase in compliance costs	Short-term, medium-term, long-term	<ul style="list-style-type: none"> <li>Periodically assess the potential impact of policy changes on enterprises, conduct corresponding risk management and compliance management, ensuring that our operations comply with the requirements of the latest laws and regulations.</li> <li>Continuously track and interpret the dynamics of climate-related information disclosure guidelines, gradually establish and improve the data management system, such as climate-related financial impacts, continuously enhance the ability to identify and respond to climate-related risks, and steadily improve the performance of climate-related disclosures.</li> <li>Actively deploy and prioritise the investments in energy efficiency improvement, clean energy alternatives, and clean production technologies to reduce energy consumption and greenhouse gas emissions at the source, thereby effectively controlling the resulting compliance costs and long-term financial risks.</li> </ul>

## Environmental, Social and Governance Report

Risk categories	Impact on business and value chain	Potential financial impact	Time frame	Response measures
Technical risk (development and application of emerging low-carbon technologies)	With the continuous improvement of standards for low-carbon environmental protection technologies and solutions in various sectors of society, enterprises that fail to quickly identify and apply relevant technologies may exacerbate the impact of climate change risks. Their products and services may also lag behind their competitors in the industry, thereby affecting overall revenue and increasing competitive pressure. Growing market demand for low-carbon equipment and measures may lead to higher raw material prices.	Lower revenue	Short-term, medium-term, long-term	<ul style="list-style-type: none"> <li>Establish and maintain long-term and stable strategic cooperative relationship with core suppliers to ensure stable supply of key raw materials.</li> <li>Pay close attention to the development trends of low-carbon technology at home and abroad, continuously increase investment in research and development and innovation, actively explore and apply cutting-edge low-carbon production processes and solutions.</li> <li>When making investment and procurement decisions, give priority to advanced production facilities and equipment with higher energy efficiency and better environmental performance to systematically reduce energy consumption and environmental footprint in the production process. During the Year, we have optimised our production processes and purchased eight brand-new, fully automatic robot polishing systems. By replacing the traditional manual polishing with fully automatic polishing, we have not only effectively reduced energy consumption but also significantly improved production efficiency and working environment.</li> </ul>

## Environmental, Social and Governance Report

Risk categories	Impact on business and value chain	Potential financial impact	Time frame	Response measures
Market risk (fluctuations in energy prices)	Climate change may lead to fluctuations in energy prices. The global energy transition will result in changes in enterprises' fuel costs and power structures. If an enterprise fails to switch to a low-carbon energy mix, it may be affected by international energy price fluctuations, which will result in higher operating costs.	Higher operating costs	Short-term, medium-term, long-term	<ul style="list-style-type: none"> <li>Seek alternative energy sources and adopt a variety of low-carbon energy mix to reasonably reduce operating costs.</li> <li>Actively deploy clean energy self-generation systems to use self-generation as an important supplement to external power supply, thereby enhancing operational resilience and cost controllability.</li> </ul>
Reputation risk (changes in investment concepts)	Global investors' attention to climate change issues is gradually increasing. Delayed response or lack of information transparency may damage the companies' reputation, weaken investors' confidence, and affect the companies' earnings, institutional rating results, and public credibility.	Reduction in financing channels	Short-term, medium-term, long-term	<ul style="list-style-type: none"> <li>Establish an effective risk assessment system and assessment model, and conduct regular assessment of the impact of climate change-related issues on our reputation.</li> <li>Systematically strengthen the transparency and disclosure of climate-related information, and establish an active public opinion monitoring and response process to respond to the concerns of investors, customers, and other stakeholders regarding the Company's climate issues in a timely and effective manner.</li> <li>Actively practise green operation, contribute to low-carbon transition, and regularly disclose emission reduction and energy-saving measures and results, and further establish emission reduction targets and implementation measures.</li> </ul>

## Environmental, Social and Governance Report

**Climate-related Opportunities**

While addressing climate-related risks, the technological innovation, market transformation, and policy incentives driven by climate change also created opportunities. By systematically identifying and responding to climate-related opportunities, enterprises can enhance brand resilience and market competitiveness, thus transforming climate issues into a key path to drive long-term value growth and building future sustainable development advantages.

Types of opportunity	Impact on business and value chain	Potential financial impact	Time frame	Response measures
Resource efficiency (use of clean technology/energy)	New technologies provide enterprises with more low-cost options in using renewable energy, energy conservation, and emission reduction, helping enterprises to further reduce carbon emissions while lowering operating costs.	Lower operating costs	Short-term, medium-term, long-term	<ul style="list-style-type: none"> <li>During the operation process, purchase green energy and increase the use of clean energy.</li> </ul>
Products and services (provision of green and low-carbon products and services)	Provide customers with products and services that meet their green and low-carbon preferences to help customers achieve carbon neutrality in the value chain, thereby increasing market share.	Higher revenue	Medium-term, long-term	<ul style="list-style-type: none"> <li>Allocate resources in a reasonable manner to create low-carbon products and services, strengthen the research and development of green and low-carbon products to cater for the demand, which may increase the Company's revenue.</li> </ul>
Market (sustainable financing)	With the continuous improvement of policies related to sustainable financing, the Company's achievements in the field of low-carbon energy conservation will provide it with more diversified financing channels.	Increase in financing channels	Short-term, medium-term, long-term	<ul style="list-style-type: none"> <li>Identify and respond to government support policies and green projects.</li> </ul>

## Environmental, Social and Governance Report

### *Risk Management*

Hebei Yichen incorporates climate-related risks into the Company's risk management process. By combining actual business operations, industry analysis, and advice from external expert, it identifies potential risks and development opportunities brought by various climate-related risks. We collect and analyse risks and opportunities based on feedback from various departments and formulate targeted response measures. The Company regularly monitors climate-related risks to gradually improve the Company's resilience in responding to climate change.

- **Risk Identification**  
We carry out regular risk identification to identify climate-related risks and opportunities related to Hebei Yichen, and determine the list of climate-related risks and opportunities through internal communication meetings.
- **Risk Assessment**  
We assess the probability and severity of risks, conduct sorting and analysis to determine the priority of climate change risks and identify major risks.
- **Risk Response**  
For identified major risks, we develop response measures for climate risks to eliminate, reduce, or transfer risks.
- **Risk Monitoring**  
We continue to monitor climate risks and opportunities, regularly update the list of climate risks and opportunities, and ensure that the management receives regular reports on climate-related risks and opportunities.

### *Indicators and Targets*

To better understand our current carbon emissions, we continued to conduct greenhouse gas emission inventories during the Reporting Period and carried out on-going calculation and analysis of Scope 1 and Scope 2 emissions. Due to current capacity limitations (including insufficient data collection, analysis tools, and relevant resources), we have not yet carried out a comprehensive investigation of Scope 3 greenhouse gas emissions. The management and quantification of Scope 3 emissions involve data tracking and accounting across multiple upstream and downstream links of the supply chain, which is complex and challenging. Looking forward, the Company will further improve resource allocation, strengthen capacity building, and gradually achieve the accounting and disclosure of Scope 3 emissions to better fulfill corporate social responsibilities and contribute to the achievement of overall sustainable development goals.

## Environmental, Social and Governance Report

During the Reporting Period, in response to climate-related risks and opportunities, the Company actively promoted environmental protection and energy-saving measures, committed to reducing energy consumption and minimising the impact on air pollution and the environment. To this end, the Company invested approximately RMB500,000 or more to purchase and install equipment such as bag filters, energy-efficient motors, and frequency converters. These measures not only effectively improved energy utilisation efficiency in the production process, but also significantly reduced dust emissions and negative environmental impacts, demonstrating the Company's commitment and actions towards sustainable development. Due to limitations in existing data basis and assessment methods, the financial impact of climate factors on the related assets and operations of the Company cannot be reasonably quantified without incurring additional costs at present. To avoid misleading stakeholders and ensure the accuracy and reliability of information disclosure, the Company did not disclose relevant information during the Reporting Period. Subsequently, the Company will continue to build and optimise its accounting and measurement mechanisms for climate-related financial impacts, gradually improving the completeness and transparency of information disclosure. Meanwhile, during the Reporting Period, the Company continuously monitored the development of domestic and oversea carbon emission trading mechanisms, actively explored the application of internal carbon pricing in strategic decision-making. Given that the Company's operation is not currently included in the mandatory carbon emission trading system, the internal carbon pricing mechanism is still in the exploratory stage and has not yet been applied to strategic and investment decisions. Going forward, the Company will gradually promote the construction and pilot application of this mechanism in conjunction with policy developments and its own low-carbon transformation needs, further enhancing the refinement level of climate risk management. Furthermore, as of the end of the Reporting Period, the Company has not directly incorporated climate-related performance indicators into its compensation assessment system. In the future, it will regularly review the correlation between compensation policies and sustainable development targets. During the Reporting Period, the Company's climate-related targets were not formulated using industry decarbonisation methods, nor were carbon credits used to offset greenhouse gas emissions.

In addition, Hebei Yichen has formulated preliminary greenhouse gas emission reduction targets to further promote the Company's low-carbon development. Please refer to the section "Air and Greenhouse Gas Emissions" for the Company's greenhouse gas emission data and emission reduction targets.

### *Environmental Protection Measures*

To further strengthen environmental management, the Company continued to promote various environmental protection and energy-saving and carbon-reduction measures during the Reporting Period. We regularly review and update internal policies and procedures, systematically incorporate environmental protection-related regulations and guidelines into daily work processes. Through institutional measures, we guide employees to implement energy conservation, resource conservation, and greenhouse gas reduction in their work practices. The specific measures are as follows:

#### **Advocacy of Environmental Awareness and Behavior Guidance**

- **Publicity and education:** Promote behaviors such as water and paper conservation through public address system, large screens and bulletin boards, and slogans in public areas;
- **Office areas:** Post reminder slogans in office, production workshops, and washrooms to improve the environmental protection awareness of employees and visitors;
- **Green procurement:** The Procurement Department gives priority to high efficiency and energy-saving products (such as energy-saving motors, lamps and air conditioners, etc.).

## Environmental, Social and Governance Report

### Waste Classification and Resource Recycling

- **Classification facilities:** Set up recycling bins in office to promote employees' implementation of waste classification;
- **Classification standards:** Waste is classified into dry waste, wet waste, and recyclable waste, and we continuously promote the knowledge of waste classification;
- **Reuse of waste sand:** All the waste sand generated in casting process is sold to recycling parties as the raw material for bricks, so as to minimise the environmental impact.

### Energy-saving Management and Equipment Optimisation

- **Equipment update:** Regularly examine electric equipment to ensure safety and operational efficiency, and continuously promote the replacement of low-energy-efficiency equipment. The Company continued with the harmonic management and grid transformation during the Year, and commenced the schedule of the upgrade and replacement of equipment with low energy efficiency;
- **Energy-saving technologies:** Actively promote the application of new energy-saving technologies, processes, equipment and materials;
- **Waste heat recovery:** Adopt air compressors and water-cooled air compressors to recover waste heat from the manufacturing process, to supply heat to workshops and hot water for employees' domestic use, and reduce other energy consumption;
- **Automation upgrade:** Eight fully automatic robot polishing systems were introduced into the casting workshop to replace manual polishing, reducing energy consumption, improving efficiency, and enhancing the quality of the working environment.

### Green Office and Digital Transformation

- **Paperless office:** Use electronic system for internal communication to minimise meetings, document printing, and physical exchange, thereby reducing unnecessary travel, paper and printing toner consumption, as well as indirect carbon emissions caused by express delivery;
- **Office equipment management:** Turn off electrical appliances such as computers, printers, and electric water heaters to save energy and reduce emissions when people leave office;
- **Travel reduction:** Promote green travel, prioritise carpooling for business trips. The administrative department coordinates and dispatches official vehicles to optimise routes and vehicle utilisation efficiency.

## Environmental, Social and Governance Report

**Raw Material Management and Process Optimisation**

- **Consumption monitoring:** Strictly control the consumption of raw and auxiliary materials in the production process to avoid waste;
- **Residues utilisation:** Encourage the reuse and recycling of raw material residues in the production process;
- **Process improvement:** Adopt advanced technology to carry out energy saving transformation, in a bid to improve energy utilisation efficiency and process yield.

**Packaging Reduction and Recycling**

- **Simplified design:** Adhere to the principles of simplicity and high efficiency in the Company's product packaging, with a priority of tonnage bags and cartons;
- **Packaging recycling:** Implement a packaging recycling mechanism in certain areas, with tonnage bags which are used by customers to be recycled by the Company for reuse, to reduce disposable packaging waste.

Through the management measures mentioned above, the Company comprehensively implements green operations, from behavior guidance, equipment upgrading, process optimisation to resource recycling. During the Reporting Period, the Company did not experience any material environmental impact events or receive any environmental administrative penalties, demonstrating the Company's specific commitment to environmental responsibility and the effectiveness of its implementation.

**SHARING THE FUTURE WITH STAFF BY ADOPTING PEOPLE-ORIENTED PRINCIPLE**

The Company firmly believes that employees are the most core assets and growth drivers for an enterprise. Upholding the "people-oriented" concept, we systematically promote various mechanisms for talent recruitment, discovering, cultivation and retention, fully protect the rights and interests of employees, and create a safe and healthy working environment. At the same time, we are committed to improving employees' professional abilities and personal qualities, promoting their career development and self-realisation, so as to achieve the sustainable vision of mutual prosperity and win-win development of the Company and employees.

**Employment*****Compliance with Laws and Regulations***

The Company has strictly complied with the relevant requirements of laws and regulations such as the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Law of the PRC on the Protection of Women's Rights and Interests (《中華人民共和國婦女權益保護法》), the Law of the PRC on the Protection of Minors (《中華人民共和國未成年人保護法》), the Employment Ordinance (《僱傭條例》), the Minimum Wage Ordinance (《最低工資條例》), the Employee's Compensation Ordinance (《僱員補償條例》), Young Persons (Industry) Ordinance (《青年人(工業)條例》) and the Special Provisions on the Labour Protection of Female Employees (《女職工勞動保護特別規定》), so as to ensure that the legitimate rights and interests of its employees are fully safeguarded. We promote the principle of equal employment, prohibit any form of employment discrimination, and treat all staff fairly regardless of race, gender and age, which not only reflect the Company's awareness of legal compliance in human resource management, but also enrich the Company's institutional connotation of a people-oriented and inclusive culture, contributing to the creation of a fairer, healthier and more sustainable working environment.

## Environmental, Social and Governance Report

During the Reporting Period, the Company was not aware of any significant breach of laws and regulations regarding remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other treatment and benefits that have a material impact on the Company.

### *Recruitment and Employment*

The Company has formulated the Administrative Measures for Staff Recruitment and Hiring (《職工招聘錄用管理辦法》) to standardise the procedures for recruitment and employment, which is regularly revised based on the operation and changing demands. During the recruiting process, we rigorously verify the identity information of applicants to ensure that the recruitment process is legal and compliant and preventing from child labour. Recruitment channels of the Company are classified into internal recruitment and external recruitment, which are uniformly coordinated and organised by the human resources department, with a view to introduce high calibre workforce for the Company. To strengthen the management of labour contracts and safeguard the legitimate rights and interests of the Company and its employees, the Company has formulated the Labour Contract Management Regulations (《勞動合同管理規定》), which covers various aspects of labour contracts including signing, performance, change, renewal, termination or rescission. We enter into labour contracts with each employee in accordance with the law to effectively protect the legitimate rights and interests of employees. During the Reporting Period, the Company did not engage in any employment of child labour or forced labour, and there were no significant non-compliance issues related to labour practices, demonstrating our strong commitment to and high sense of responsibility in protecting labour rights.

### *Remuneration and Welfare*

The Company has established the remuneration committee, and formulated and regularly revised the Remuneration Management Measures (《薪酬管理辦法》) in line with the strategic development plan to carry out systematic and standardised remuneration management. The Company offers basic salary, allowances, endowment insurance, medical insurance, unemployment insurance, work injury insurance, and maternity insurance and housing provident fund to its employees. In terms of the remuneration structure design, classification management is adopted based on the position value and individual contribution, and through an effective distribution incentive and constraint mechanism, employees are encouraged to grow and develop together with the Company and share the results brought by the corporate development. Furthermore, the Company has set up a bonus system to reward groups or individuals who have made significant contributions or outstanding performance. In terms of promotion, the Company has established a clear performance assessment system in the principles of fairness, openness and equality. Through the Outline for Comprehensive Performance Assessment (《綜合績效考核大綱》), an effective distribution incentive and restraint mechanism was established, allowing the Company to guarantee the competitiveness and fairness of remuneration and welfare, so as to improve the motivation of employees and realise the common development of employees and the Company.

We have implemented the Staff Attendance Management Rules (《職工考勤管理細則》) to fully safeguard employees' rights to rest and leave, including fixed rest days, statutory holidays, wedding leave, funeral leave, maternity leave, work injury leave and other special holidays, as well as personal leave and sick leave to ensure that employees have enough rest time. We also strictly implement the Special Provisions on the Labour Protection of Female Employees (《女職工勞動保護特別規定》), earnestly safeguarding the legitimate rights and interests of female employees.

## Environmental, Social and Governance Report

*Caring for Employees*

The Company always upholds the concept of caring for employees, and offers a variety of allowances and support to its employees, and provides holiday gifts, subsidies for employees in need, heatstroke prevention supplies, etc., ensuring the effective implementation of caring for employees, further enhancing employees' sense of belonging and well-being, and fulfilling corporate responsibilities. To improve their quality of life, the Company has established a gym and other welfare facilities, so that employees can relax after work and promote physical and mental health. The Company attaches great importance to employee care and earnestly fulfills its social responsibilities. During the Reporting Period, the Company's labour union organised a "Warm-hearted Assistance" activity, providing condolence money and gifts to employees suffering from diseases and those with financial difficulties. The activity was carried out and reviewed by each grass-roots labour union in accordance with the principle of "fairness, impartiality, and transparency". Each of the 9 employees in need received a condolence payment of RMB2,000 and Spring Festival condolence items. In addition, on 27 August 2025, the Company held a ceremony to distribute scholarships for employees' children who had been enrolled to undergraduate, and 39 employees' children were granted a total of RMB145,000 during the Year. Up to now, the Company has cumulatively granted a total of RMB889,000 in scholarships to 252 staff's children, demonstrating the Company's sense of responsibility by passing on corporate warmth and allowing employees to share the fruits of corporate development.

We meticulously organise various kinds of employee activities from time to time, aiming at creating a positive, united and friendly working atmosphere for employees, effectively enhancing their sense of belonging and well-being, and supporting the high-quality development of the enterprise. During the Reporting Period, on the eve of International Women's Day, the Company's Party Committee, labour union and women's federation jointly held a health lecture for female employees titled "Warm March, Charming Women". Senior health expert were invited to explain in detail common health problems of female employees, daily health-care skills, psychological counseling methods and other contents, answering questions and providing professional guidance on the spot. Nearly 40 female employee representatives participated in the event and benefited a lot. In addition, the Company carefully prepared and held a cultural and arts celebration for the May Day holiday and the 40th anniversary of the Group's establishment. The atmosphere at the event was lively, with employees actively participating and performing enthusiastically, bringing wonderful performances in various forms such as group chorus, poem recitation, dancing and instrumental performance. Many employees gathered together, relieving work pressure and enhancing their affection for each other in the joyous singing and laughter. This not only enriched employees' spiritual and cultural lives, but also further strengthened team cohesion and unity, fully demonstrating the Company's deep care for its employees.

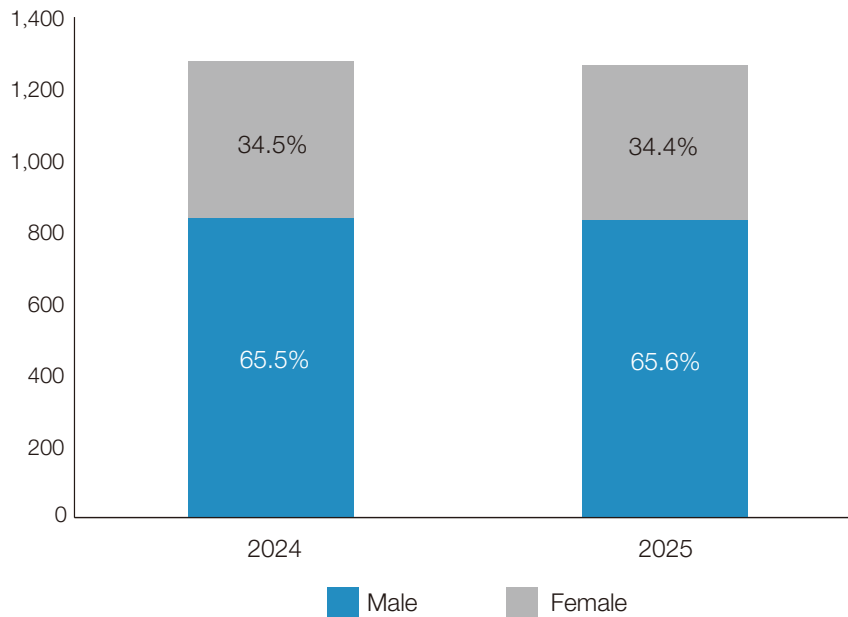
## Environmental, Social and Governance Report

*Employment*

As of 31 December 2025, the Company had a total of 1,267 employees. All employees are from China, and all of them are full-times. The following table illustrates the employee structure categorised by gender, age and position:

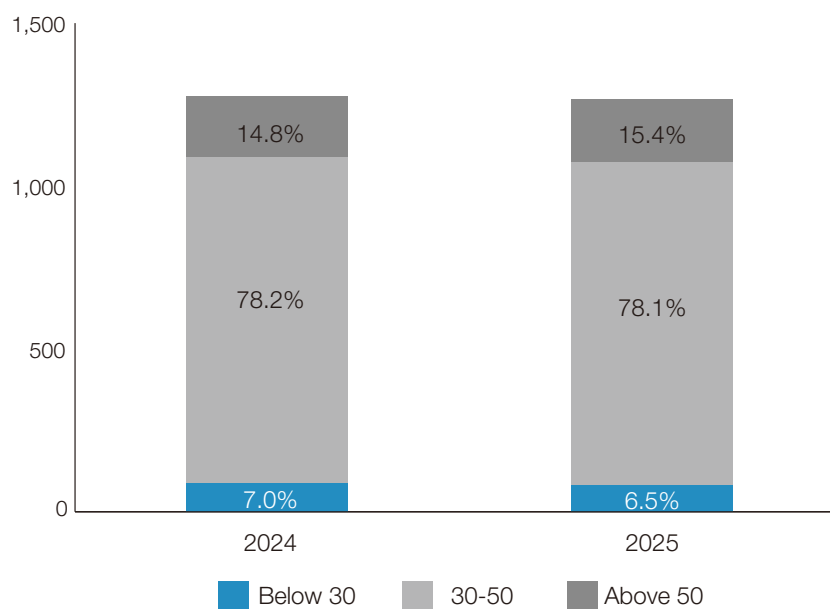
Categories	2025	2024
Number of current employees and percentage by gender		
Male	<b>831 (65.6%)</b>	837 (65.5%)
Female	<b>436 (34.4%)</b>	440 (34.5%)
Number of current employees and percentage by age		
Below 30	<b>82 (6.5%)</b>	89 (7.0%)
30-50	<b>989 (78.1%)</b>	999 (78.2%)
Above 50	<b>196 (15.4%)</b>	189 (14.8%)
Number of current employees and percentage by position		
Senior management	<b>23 (1.8%)</b>	23 (1.8%)
Middle management	<b>56 (4.4%)</b>	52 (4.1%)
Other employees	<b>1,188 (93.8%)</b>	1,202 (94.1%)

Structure by Gender (current employees)



## Environmental, Social and Governance Report

Structure by Age (current employees)

*Employee turnover*

During the Reporting Period, as of 31 December 2025, the Company recorded a total of 57 employees who had left, registering a turnover rate<sup>(Note 1)</sup> of approximately 4%, showing a downward trend from 2024. These employees are categorised by gender and age as shown in the following table:

Categories	2025		2024	
	Number of turnover	Turnover rate <sup>(Note 2)</sup>	Number of turnover	Turnover rate <sup>(Note 2)</sup>
<b>By gender</b>				
Male	39	5%	58	7%
Female	18	4%	20	5%
<b>By age</b>				
Below 30	8	9%	11	11%
30-50	40	4%	48	5%
Above 50	9	5%	19	10%

Note 1: Calculated as the number of employees departures divided by the average number of employees during the year.

Note 2: Calculated as the number of employees in this category divided by the average number of employees in this category during the year.

## Environmental, Social and Governance Report

### Health and Safety

Consistently committed to the principle of regarding production safety as the first priority, the Company strives to protect staff from work injuries or occupational hazards. The Company has established a production safety committee for comprehensive supervision and management of safety, hygiene and health activities in the production process of the Company. We strictly follow the laws and regulations on occupational health and safety, including but not limited to the Production Safety Law of the PRC (《中華人民共和國安全生產法》), the Labour Law of the PRC (《中華人民共和國勞動法》), the Fire Control Law of the PRC (《中華人民共和國消防法》), the Law on Prevention of Occupational Diseases of the PRC (《中華人民共和國職業病防治法》), with an effort to provide employees with a safe and healthy work environment. The Company also improves its internal safety management system in accordance with regulations and systems, such as the Measures for the Supervision and Administration of Occupational Health Surveillance (《職業健康監護管理辦法》), the Decision of the State Council on Further Strengthening Production Safety (《國務院關於進一步加強安全生產工作的決定》), the Production Safety Regulations of Hebei Province (《河北省安全生產條例》), the Standard on Work Safety Standardisation of Machinery Manufacturing Enterprises (《機械製造企業安全生產標準化規範》) and the Safety Management Standard on Individual Protective Equipment (《個體防護裝備安全管理規範》).

### *Establishment of Regulations*

In order to implement the safety production policy of "Safety First, Risk Prevention and Integrated Management" and ensure the personal safety of employees, we have formulated a series of regulations for internal safety management. According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) and the actual needs, the Company has formulated regulations including the Compilation of Safety Regulations (《安全規章制度匯編》) and the Control Procedures Process Operation Environment (《過程運行環境控制程序》), which clarify the safety production responsibilities of personnel and functional departments at all levels and standardise the rights and obligations of all departments and employees of the Company in specific production process, ensuring a safe working environment for all employees. Regulations made detailed stipulation on environmental control over occupational health and safety in production and management processes, with a view to reduce safety hazards and protect the health and safety of employees through effective management measures. During the Reporting Period, the Company strictly adhered to relevant specifications, implemented supervision and management, strengthened safety awareness, and effectively achieved the goal of a win-win situation for safety and efficiency.

### *Occupational Disease Prevention and Health Management*

The Company starts from the source to prevent occupational disease hazards by actively introducing advanced process technologies and equipment, and regularly conducting publicity on the prevention and control of occupational diseases. We arrange annual physical check-ups for all employees and establish a detailed Occupational Health Archives (《職業衛生檔案》), which completely records personal basic information, the results of previous occupational health examinations and the corresponding processing measures. For new employees and departing employees, pre-employment and post-employment physical examinations are conducted respectively to ensure that they are in good physical condition. In addition, the Company regularly detects the concentration of occupational hazards in the working environment to ensure the effective use of occupational disease protection facilities and minimise the risk of occupational diseases. Through the above-mentioned complete management system and its effective implementation, we have obtained the ISO 45001 Occupational Health and Safety Management Systems Certificate.

## Environmental, Social and Governance Report

***Safety Education, Training, Supervision and Management***

The Company attaches great importance to employees' safety education and training. All newly recruited employees must receive systematic safety education and pass the assessment before they can officially start work. We hold diverse safety education activities regularly every month, with topics covering national work safety regulations, environment and health issues specific to various positions to comprehensively improve employees' safety awareness and practical skills. The Company regularly holds safety production meetings to carry out in-depth review on current operational risks and formulates specific improvement measures, and continuously promote safety knowledge through its routine broadcast system to firmly uphold the principle of "Safety First". At the same time, we have appointed full-time safety inspectors for factories to promptly correct improper operations, ensuring the implementation of all safety regulations, successfully preventing production risks, and guaranteeing the lives and health of employees.

***Health and Safety Control Measures in the Workplace***

The Company's measures for health and safety in the workplace are as follows:

- Personal protective equipment such as protective clothing and protective masks must be used to enhance protection when working in workplaces where risk is imposed to human health;
- Regular hazard identification is conducted at the workplace, including organising routine and non-routine activities, the activities of all personnel entering the workplace and all the facilities within the workplace;
- In the case of changes in environmental laws and regulations, environmental impact assessment shall be conducted in a timely manner to update environmental factors;
- The production and operation units adopt measures to eliminate or reduce the hazards of noise sources to workers, such as silencing, controlling the spread of noise and reasonable planning of plants;
- Regular evaluation of compliance with the Production Safety Law of the PRC.

***Emergency Handling***

The Company has established the Meteorological Disaster Emergency Plan (《氣象災害應急預案》) to fully address climate change. The plan adheres to the principle of "Safety First, Risk Prevention and Integrated Management". Under the unified leadership of the Company, we implement the emergency management system of classified management and hierarchical responsibility, carry out the responsibility system of administrative leaders at all levels, and strictly implement precautionary measures. In addition, the Company has set up an accident emergency leading group, with the administrative officer as the chief commander and the leader in charge of the unit as the deputy chief commander, and established an accident emergency working group composed of the heads of all functional management departments and major production departments, to be responsible for the organisation and implementation of accident emergency response. Furthermore, the plan sets out a detailed risk factor and risk analysis, defines the responsibilities of each department and the contact details of the emergency duty room. To ensure the effectiveness of Emergency Plan, the emergency leading group organises drills on a regular basis and supervises the performance of responsibilities of each unit in the plan. The Company has also set up a special department to be responsible for the preparation, revision, change of the plan as well as the implementation and monitoring of the emergency measures, ensuring that, when an accident occurs, a series of work at the site of the accident such as security maintenance, accident rescue, technical support and accident investigation can be promptly and effectively carried out in groups to guarantee the smooth operation of emergency work. Rescue work will be organised to minimise losses and ensure the safety of staff and facilities.

## Environmental, Social and Governance Report

During the Reporting Period, the Company had no material non-compliance cases in relation to health and safety laws and regulations. The Company has recorded no work-related injuries, fatalities or lost workdays due to work injury in the past three years.<sup>2</sup>

### Development and Training

The Company is well aware that employees are the core driving force for the corporate sustainable development. Through the Training Management System (《培訓管理制度》), we have developed a comprehensive and systematic talent cultivation system, providing diverse training resources covering job function training, management skill improvement and career planning counselling, etc., to assist employees in enhancing their professional qualities, deepening their recognition of the corporate culture and effectively improving team cohesion, laying a solid talent reserve for the realisation of the Company's vision. The Company established the Board Independence Evaluation Mechanism (《董事會獨立性評估機制》), aiming to conduct a comprehensive evaluation of the independence of the Board. During the evaluation process, we clarify the necessary actions to be taken by the Company, in order to maintain and improve the overall performance of the Board. These actions include individual training and development needs of each Director, ensuring that they have the necessary knowledge and skills to respond to the everchanging market conditions and business challenges. Through these measures, the Company hopes to establish a more efficient and independent board of directors that will provide strong support for the Company's sustainable development.

### Staff Training

During the Reporting Period, the training courses organised by the Company covered various aspects such as occupational health and safety, fire safety knowledge, production safety, enhancement of management abilities for team leaders, job skills, product quality management, patent knowledge and the practical application of fine production. A total of about 97%<sup>(Note 1)</sup> of employees received the training, with each employee receiving an average of approximately 8.87 training hours<sup>(Note 2)</sup>. In addition, during the Reporting Year, anti-corruption trainings for Directors and all employees were conducted through a combination of offline courseware and video, which reiterated the zero-tolerance attitude of the Company for corruption, bribery and other illegal acts, thereby further strengthening the anti-corruption awareness of all employees and building a solid ideological line of defence for compliant operations.

<sup>2</sup> The data of employees' work-related fatalities and lost days shall be subject to the occupational injury certification by the local social insurance administrative department.

## Environmental, Social and Governance Report

In order to further improve the comprehensive quality and business capabilities of employees, the Company continued to enrich its training system during the Reporting Period. In addition to offering foundational training for all employees in anti-corruption, occupational health and safety, the Company designed professional training courses tailored to the needs of different positions to achieve precise empowerment. During the Year, the Company provided a total of 65 training courses with different topics, fully covering every aspect of employee career development, to help employees grow together with the Company. During the Year, a total of 10,129 hours of regular trainings were organised, with employee participants totalling 1,180; and a total of 1,105 hours of anti-corruption trainings were organised, with employee participants totalling 1,105. Below sets out the trainings by gender and position of employees:

Categories	2025		2024	
	Number of trained employees	Percentage of trained employees (note 3)	Number of trained employees	Percentage of trained employees (note 3)
<b>By employee gender</b>				
Male	818	66%	828	67%
Female	414	34%	413	33%
<b>By employee position</b>				
Senior management	16	1%	16	1%
Middle management	51	4%	47	4%
Other employees	1,165	95%	1,178	95%

Categories	2025		2024	
	Total number of training hours (hour)	Average training hours completed per employee (hour)(note 4)	Total number of training hours (hour)	Average training hours completed per employee (hour)(note 4)
<b>By employee gender</b>				
Male	7,436	8.95	5,602	6.69
Female	3,798	8.71	2,846	6.47
<b>By employee position</b>				
Senior management	56	2.43	52	2.26
Middle management	368	6.57	280	5.38
Other employees	10,810	9.10	8,116	6.75

Note 1: Calculated by dividing the total number of trained employees by the number of employees during the year.

Note 2: Calculated by dividing the total number of training hours by the number of employees during the year.

Note 3: Calculated by dividing the number of trained employees in this category by the total number of trained employees.

Note 4: Calculated by dividing the number of training hours of employees in this category by the number of employees in this category during the year.

## Environmental, Social and Governance Report

In addition to the existing training course system, the Company also organised various forms of employee training and ideological guidance activities during the Reporting Period to help employees improve their ideological understanding and build a consensus on development. The Group organised 90 Party members and advanced individuals to participate in red educational visits in Wuhan, Yichang and other places. Through visiting revolutionary places and water conservancy projects, they inherited the revolutionary tradition, cultivated patriotism, and absorbed scientific and dedication spirits. More than 200 Party members and employee representatives were organised to watch the 80th anniversary commemoration of the victory of Chinese People's War of Resistance against Japanese Aggression and the World Anti-Fascist War, which inspired employees' patriotism and national pride. Experts were invited to give a lecture with the theme of "We are ready to build and rejuvenate a powerful China (強國復興有我)" on the situations and policies, deeply interpreting the policy connotations and regional development situations, helping employees clarify their action directions, further aggregating the internal motivation for entrepreneurship, and achieving the coordinated progress of employees' ideological improvement and the high quality development of the Company.

### Labour Standard

During the Reporting Period, the Company actively fulfilled its social responsibilities as an employer and fully protected the legal rights and interests of employees. The Company strictly complies with the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Law of the PRC on the Protection of Minors (《中華人民共和國未成年人保護法》) and other relevant laws and regulations to fully protect the rights and interests of employees.

In order to further implement the regulatory requirements, the Company has formulated relevant internal rules and regulations for labour contracts and personnel management to fully protect the rights and interests of employees. During recruitment, the Company provides applicants with the detailed information of the job they apply for, including responsibilities, working conditions and location, occupational health and safety, production safety and remuneration, etc. To ensure the authenticity of the applicant's information, the human resources department verifies the documents (such as working experience, ID cards and certificates) provided by job applicants according to the provisions of the Labour Contract Law (《勞動合同法》). The applicants shall produce their valid ID cards when signing labour contracts, which, together with other related employment documents, shall be signed on site and shall not be signed on behalf of the job applicant, so as to avoid the employment of illegal labour or child labour or signing a labour contract with the party against his/her real intention.

The Company has made reasonable arrangement on staff's working time in strict compliance with the Labour Law and other laws and regulations to ensure that it is within the statutory standard working time range. According to the Labour Law, staffs are entitled to have leave benefits such as paid leave and sick leave. Overtime management is detailed in the Rules of Staff Attendance and Management (《員工考勤管理細則》). For employees who effectively work overtime, the Company will arrange compensatory leave or pay for overtime in accordance with law. In addition, the Company prohibits forced labour in all forms.

When any child labour or forced labour is discovered, the Company would immediately terminate the employment relationship with relevant employees, and report it to the relevant authorities. We adhere to the principle of zero tolerance and take necessary measures to prevent the recurrence of such incidents. In addition, we will provide any necessary assistance to the subject persons if needed. The Company recognises the importance of protecting the fundamental rights and dignity of its employees and will continue to put efforts in maintaining a safe and fair working environment.

## Environmental, Social and Governance Report

During the Reporting Period, the Company strictly complied with relevant laws and regulations and international labour standards. There were no major violations in labour practices, and no cases of human-rights violations, employment of child labour, or forced labour were found. We continue to abide by our responsible labour commitments and are committed to creating a fair, respectful, and safe working environment.

## LEADING BUSINESS SUCCESS TO CREATE BRILLIANCE

During the Reporting Period, the effects of China's macro-policies continued to be released, and the positive momentum of the national economic recovery was continuously consolidated. As a key national infrastructure, railway construction showed a good situation of steady progress. Existing railway lines maintained efficient operation, the construction of new lines was accelerated, and multiple planned railway projects were also carried out in an orderly manner, bringing new development opportunities to the rail transit equipment manufacturing industry. At the same time, as industry competition becomes increasingly fierce, higher requirements are put forward for product quality, technical capabilities, and service levels, which provide new opportunities and challenges for the Company's development.

As a leading rail fastening system provider of China, the Company's major business covers the R&D, manufacturing, sales and technical support of rail fastening system products in all fields such as high-speed railways, normal-speed railways, heavy-haul railways and urban rail transit. In addition to rail fastening system, the Company also extends its business scope to the R&D, manufacturing and sales of welding wire products, as well as the R&D, manufacturing and sales of railway sleeper products through its subsidiary Xingtai Juneng, forming a diversified product matrix. We insist on taking high-quality rail fastening system products and railway sleeper products as the core competitive advantage, continue to improve product quality and technological service level, striving to escort the railway construction and operation in China. Moreover, we will actively explore opportunities vertically in the industry, optimise and expand the product lines, and comprehensively enhance industry competitiveness and product diversity through multiple revenue sources such as sales of rail fastening system, welding wire and railway sleeper products, and provision of processing services, continuously improving our core competitiveness and profitability, further consolidating our leading position, and winning wide recognition in the market. To expand production scale and deepen regional layout, the Company newly established Guizhou Juneng Railway Transit Co., Ltd. (貴州矩能軌道交通有限公司) this year. As a subsidiary of the Xingtai branch, the company focuses on the production and sales of railway sleeper products and has been fully put into production and operation in the year. With the full-scale launch of production and business activities in the year, the company's production scale has not only been significantly expanded, but also effectively enhanced the Company's business radiation ability in the southwest region, providing a solid guarantee for meeting market demand and enhancing supply chain resilience.

We are well aware that in a market environment with increasingly fierce global competition, product responsibility and supply chain management are the keys to leading business development. Efficient supply chain management not only helps control costs but also improves customer satisfaction and market response speed. Product responsibility reflects the Company's commitment to society and is crucial for brand reputation and long-term development. The following will elaborate on the Company's specific measures in supply chain management and product responsibility. With continuous improvement in these key areas, we strengthen our core competitiveness and promote steady business growth.

## Environmental, Social and Governance Report

### Products Responsibility

The Company highly values product safety and reliability, and strictly complies with relevant national, international and industrial standards. In terms of rail fastening system products, we conduct comprehensive quality control pursuant to 41 standards such as the Technical Standard Catalogue of the Railway Industry (《鐵道行業技術標準目錄》) and the High-speed Rail Fastening (《高速鐵路扣件》) issued by the National Railway Administration. In terms of railway sleeper production, we comply with industry standards including New Type-III Concrete Bridge Sleepers and Guard Rail Fastening Q/CR 535-2016 (《新III型混凝土橋枕及護軌扣件Q/CR 535-2016》), Concrete Turnout Sleepers for Ballasted Track TB/T 3080-2014 (《有砟軌道混凝土岔枕TB/T 3080-2014》) and Concrete Sleepers TB/T 2190-2013 (《混凝土枕TB/T 2190-2013》). In terms of welding wire products, we abide by national quality standards including Stainless Steel Flux Cored Wire GB/T 17853-2018 (《不銹鋼藥芯焊絲GB/T 17853-2018》) and Non-alloy Steel and Fine Grain Steel Flux Cored Wire GB/T 10045-2018 (《非合金鋼及細晶粒鋼藥芯焊絲GB/T 10045-2018》).

The Company has obtained the ISO 9001 Quality Management Systems Certification, which covers product design and manufacturing, and provides standardised management for after-sales services, fully demonstrating our systematic and standardised capabilities in quality control. Meanwhile, our rail fastening system products have also obtained the CRCC certification for railway products, signifying that our products meet the stringent standards of the national railway industry in terms of safety, reliability and adaptability, and possess the professional qualifications to serve high-speed railways, heavy-haul railways and urban rail transit. In terms of welding materials, our subsidiary, Yichen Welding, has obtained the EU CE certification for its products, meeting the high standard requirements of health, safety, and environmental protection in the European market, and has been certified by classification societies in various countries, proving the excellent performance and reliability of its products in high-end fields such as shipbuilding and marine engineering. These special international and industry certifications obtained not only recognised the technical strength of the Company, but also provided a solid support for expanding the domestic and international markets and serving a diverse customer base.

Due to the nature of our business, we do not involve in matters related to advertising, labelling and privacy. We focus on providing customers with safe and reliable products through ongoing quality control.

### *Quality Management and Control*

The Company highly values product quality and is committed to providing customers with safe and reliable products. In this regard, we have established a complete quality control system to ensure that the entire production process complies with relevant regulations and standards.

In terms of system construction, we have formulated detailed quality management manuals, procedure documents and technical documents as the basis for production and operation, which are constantly optimised through periodic internal audit and management assessment. At the same time, we actively cooperate with external professional institutions for the supervision and inspection as well as occasional review by customers to unceasingly optimise the internal management.

In terms of production execution, we monitor the entire production process, with strict identifications and traceability management from raw material procurement to finished products and have designated a professional quality management department for inspection and monitoring to ensure that the performance complies with product standards and customer requirements.

## Environmental, Social and Governance Report

For customer feedback, we have formulated the Administrative Measures for Return and Replacement (《退換貨管理辦法》) to standardise the management of customer returns and replacements, thus reducing corporate economic losses and increasing service satisfaction. The Measures provide clear delineation of the responsibilities of each department, set out processing procedures in detail. When the customer applies for product return, the following standardised processing procedures will be initiated: the market department first accept the application, then relay it to quality control and technology departments for professional analysis to determine appropriate processing plan (including acceptance on deviation, repair and transformation, replacement of goods and refund). Upon determination of the plan, the market department will communicate with customers and all relevant functional departments will then proceed to execution on a joint basis, so as to ensure that customers' requests are handled in a prompt and satisfactory manner. In addition to handling individual cases, the relevant departments shall analyse the root reasons, so as to adopt effective rectification or precautionary measures to avoid the recurrence of similar problems in the organisation and form a complete closed loop for quality management.

During the Reporting Period, with our comprehensive and systematic quality control system, the Company had no product that was needed to be recalled for safety and health reasons, nor had it received any complaints about product quality. In the future, we will continually refine our system to maintain the good reputation of the Company, and promote the healthy development of our business.

### *Complaint Handling*

The Company attaches great importance to the communication and feedback and improving customer satisfaction. As a company committed to product quality, we address customer complaints in the principle of "Prevention First". Upon receipt of customer complaints, we immediately initiate the handling process, leveraging our extensive experience and expertise to comprehensively implement the following measures:

#### **Initiating the emergency mechanism**

Upon receiving customer feedback, the market development department shall immediately initiate the emergency handling mechanism, promptly passing relevant information to the departments such as the quality management department, the technical department and the production department. Through cross-departmental real-time collaboration, we ensure that information is transmitted without delay, laying the foundation for subsequent analysis and processing, and demonstrating the Company's high regard for customer complaints and its rapid response capabilities.

#### **Analysis, evaluation and product isolation**

The quality management department will lead relevant departments such as technology and production departments to jointly analyse and review the details of customer complaints. If the customer complaint involves product quality, we promise to identify and isolate products of the same type and same batch within one working day. For inventory products, the warehouse shall identify, isolate and record such products; for defective products delivered to customer, the market development department shall inform the customer for product isolation in a timely manner, so as to prevent the problem from escalating and ensure that the risks are under control.

## Environmental, Social and Governance Report

### **Verification, review and decision making**

Upon the product isolation, the quality management department shall convene a meeting involving technology, market and production departments to verify and review the isolated product, and make decisions on scrapping, rework, return/replacement, application on concession or conversion of use according to the review results regarding the defective product, with all decisions being immediately reported to relevant departments for implementation. Any application on concession had to seek prior approval from the customer to ensure that every proposal is in line with the customer's interest and the consensus of both parties.

### **Root cause analysis and corrective measure implementation**

Throughout the customer complaint handling process, we are committed to addressing complaints in a quick and effective way, and also give priority to root cause analysis and corrective measures. Relevant departments must thoroughly investigate the causes of problems to formulate and implement corrective and preventative measures, preventing similar issues from recurring through systemic improvements. Through this closed-loop management mechanism, we continuously improve product quality and customer satisfaction, enhance customer trust, and lay a solid foundation for sustainable corporate development.

### ***Intellectual Property Rights***

The Company is well aware that protecting intellectual property rights is not only a legal obligation, but also an important strategy to enhance corporate competitiveness. Effective intellectual property protection facilitates our research and development system in a way that innovations receive recognition and protection they should have. We strictly comply with the Copyright Law of the PRC (《中華人民共和國著作權法》), the Trademark Law of the PRC (《中華人民共和國商標法》), and the Patent Law of the PRC (《中華人民共和國專利法》), so as to manage and protect our intellectual property rights on a comprehensive basis. This not only prevents the technology from being imitated or misappropriated, but also it motivates our employees to actively participate in innovation, thereby improving the overall technical level and product quality. In addition, strengthening the protection of intellectual property rights enables us to establish a good brand image in the market and enhance customer trusts, hence attract more cooperation opportunities and investment. Amid intensifying market competition, enterprises with their own intellectual property rights will have greater advantages in gaining market share and maintaining sustainable development.

To manage the matters on intellectual property rights of the Company on a systematic basis, we have prepared the Administrative Regulations on Right of Enterprise Name, Intellectual Property Right and Sales Right (《企業名稱權、知識產權及銷售權管理規定》) and the Administrative Regulations on the Use of Registered Trademark (《註冊商標使用管理規定》), both of which are updated and optimised constantly. The product trademarks of the Company are registered and protected by law.

The Company places strong emphasis on upgrading its production process and developing new products and continuously organises and carries out process improvement and performance upgrade, and also applies products to domestic railway construction. The Company pays attention to intellectual property protection, and encourages employees to actively participate in various technological innovation activities. New materials, products, technologies, processes, formulas and designs involved in our R&D activities are patented and incorporated into the Company's intellectual property protection. The Company will give spiritual and material rewards for innovation achievements and patents based on different situations, and protect the rights of authorship.

As of the end of 2025, the Company had 85 active patents and 13 patents under application.

## Environmental, Social and Governance Report

### Supply Chain Management

In order to strengthen the management of suppliers and ensure that the supplies procured comply with requirements, the Company has formulated the Procurement Control Procedures (《採購控制程序》) and the Provisional Measures for ESG Management of Supply Chain (《供應鏈ESG管理暫行辦法》) with an aim to introduce suppliers with great potential and provide quality assurance for our products. The Company purchases key raw materials mainly from qualified domestic suppliers. In selecting suppliers, we evaluate various factors including their quality, costs, delivery and services. For material resources, we have established strategic cooperation relationship with long-term suppliers to ensure the quality of procurement.

#### Supplier admission

Before the admission of supplier, we conduct comprehensive on-site inspections, review relevant information such as its Business License, Tax Registration Permit, Quality Inspection Report, Certification in Quality Management System and market reputation. Furthermore, we conduct inspections on the products of suppliers. Only those who have passed the product test will be enrolled in our Qualified Supplier Catalogue (《合格供應商名錄》), so as to ensure that the supplies meet the quality standards from the source.

#### Regular evaluation and improvement of suppliers

As for suppliers that have collaborated with us, we will conduct periodic evaluation, using the Supplier Cycle Assessment Form (《供應商週期評估表》) to evaluate suppliers, and issue a Treatment List for Corrective and Preventive Measures (《糾正和預防措施處理單》) to suppliers who have failed to meet the standard. They have to rectify within the time limit; otherwise, their supplier qualification will be cancelled. A supplier who fails to meet qualification for two consecutive batches of the same product will be issued a Treatment List for Corrective and Preventive Measures and will be required to analyse the reason and adopt measures to rectify; its supplier qualification will be cancelled if there is no obvious improvement in quality. Through such evaluation and improvement mechanism, we continuously improve the quality level of our suppliers and ensure that the supplies procured meet the requirements.

#### Supply chain risk management and resilience enhancement

In order to reduce the risks of supply disruption and dependence on a single supplier, we adopt a multi-faceted supplier management strategy. Firstly, we have established stable cooperation relationships with various suppliers to minimise the impacts on our production and operation from mistakes or unforeseen incidents by the single supplier, thereby enhancing the resilience of the supply chain. Secondly, we strictly review the product quality and production management level of suppliers through regular sampling inspection and on-site inspections, so as to identify problems in time and promote continuous enhancement to ensure the reliability of raw material supply. Furthermore, in response to foreseeable impacts from environmental factors (such as seasonal climate changes, extreme weather or logistics disruptions), we implement a safety stock management mechanism through advance planning and coordination to ensure that production is carried out in an orderly manner in case of unexpected circumstances. The above three initiatives complement each other and can effectively improve the resilience of the entire supply chain. Through decentralised supply channels, strict quality control and proactive inventory deployment, our ultimate goal is to ensure business continuity and lay a solid foundation for the sustainable development of the Company.

## Environmental, Social and Governance Report

### ESG management and monitoring process of supply chain

During the Reporting Year, the Company followed the ESG governance principle and consistently implemented the Provisional Measures for ESG Management of Supply Chain (《供應鏈ESG管理暫行辦法》) to strengthen the overall synergy of the supply chain and the effectiveness of the system standards. We are committed to building a sustainable supply chain system by establishing long-term collaborations with trustworthy suppliers to create mutual value, while standardising the management across the entire process and optimising the mechanism to ensure that our partners meet our core values and requirements for sustainable development. We believe that the ESG management of suppliers is the key to promote the mutual development of both parties.

The supply chain ESG management monitoring process covers the following two aspects:

- Product compliance and environmental requirements. Suppliers must ensure that the products provided are in compliance with contractual requirements and environmental standards and that their transportation would not cause pollution to the environment. Suppliers need to provide relevant quality assurance documents such as quality assurance policies, testing reports on harmful elements, etc., to ensure product safety and environmental protection.
- Environmental compliance in life cycle. All aspects throughout the whole life cycle of the supplier's products, including design, materials, production and processing, packaging, emission treatment, waste disposal, must strictly comply with relevant national environmental protection and safety laws and regulations. Suppliers are required to fully implement environmental requirements, ensure environmental compliance in the production and supply process, and minimise the negative impact on the environment.

Suppliers that were active and had transactions with the Company during the Reporting Period totalled 257, with categories mainly involving raw materials, packaging, fixed assets, molds and external accessories. Among them, strategic cooperation partners provided the primary raw materials. The Company generally adopts the principle of proximity when selecting suppliers for procurement. Nonetheless, considering the quality, price and other factors such as logistics requirement of the main raw materials including steel and packaging materials, the Company's current active suppliers are located in different provinces in China. The breakdown of suppliers by region is as follows (Unit: number):

Region (Unit: number)	2025	2024
Within Hebei Province	104	179
Outside Hebei Province	153	189

### Anti-corruption

Corporate compliance constitutes a core principle that the Company consistently upholds in its operations and management. We strictly comply with all laws and regulations and constantly improve the corporate governance mechanism, so as to ensure that all activities of the Company are operated stably within a legal and compliant framework. We continuously enhance our governance level by strengthening internal controls and compliance awareness, laying a solid foundation for the sustainable development of the Company.

## Environmental, Social and Governance Report

***System Construction***

The Company attaches great importance to business ethics and compliance management, and has strictly complied with relevant regulations, including the Criminal Law of the PRC (《中華人民共和國刑法》), the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) and the Anti-money Laundering Law of the PRC (《中華人民共和國反洗錢法》). In order to implement the regulatory requirements in daily operations, we have formulated the Anti-commercial Bribery Management Regulations (《反商業賄賂管理規定》) and the Anti-fraud Management Regulations (《反舞弊管理規定》), which clarify the codes of business conduct for personnel at each level and are constantly reviewed and updated.

We have always adhered to the principles of voluntariness, equality, fairness and integrity, as well as generally recognised business ethics, integrating compliance awareness into every aspect of our business operations. Through the establishment of a sound system and routine compliance management, the Company gains a strong support for its stable operation.

***Whistleblowing Systems***

To further strengthen our anti-corruption efforts, the Company has established a dedicated internal audit department who is responsible for receiving and investigating various reports, such as suspicious cases of corruption, fraud, and malpractice. We have set up a whistleblowing hotline and mailbox for encouraging employees and relevant parties to report the clues of concerns in a confidential or anonymous manner. The Internal Audit Department will carry out the audit work according to the content of the report by the whistleblower, and submit the audit results to the audit committee and management. In case of involving offence of laws, the case shall be referred to a judicial authority.

In addition, we have formulated the Whistleblowing Policy (《舉報政策》), which gives a detailed guidance to whistleblowing procedure. There are channels available for employees of the Company and external parties who deal with the Company to submit reporting information to the Company, and the Company will try every effort to ensure reports are handled in a highly confidential, fair and impartial manner. Where the investigation discloses a suspected criminal offence, after consulting our legal advisers, we will decide if the matter should be referred to the relevant authorities for further action. Once the matter is referred to the authorities, the Company will not be able to take further action on the matter, including advising the employee or external party of the referral to ensure that there is no interference to the judicial process.

This mechanism fully demonstrates the Company's determination to combat illegal and irregular activities, and also reflects our high attention to business ethics and compliance management.

***Compliance Training***

In order to further enhance the compliance awareness of all employees, the Company arranged anti-corruption and anti-bribery compliance trainings for staff and Directors during the Reporting Period. For details, please refer to "Staff Training" section of this report. Through the systematic training, we hope that all members can develop a thorough understanding of all compliance requirements, take the initiative to comply with the internal systems of the Company, and work together to preserve the image of integrity and good reputation of the Company.

During the Reporting Period, the Company was not aware of any breach of business ethics principles such as corruption and bribery, conflict of interest, money laundering, insider trading or customer privacy data leakage. Based on the above, the Company has maintained a track record in compliance management and business ethics, demonstrating the determination of all employees in maintaining a clean and transparent business environment.

## Environmental, Social and Governance Report

### JOINING HANDS WITH THE COMMUNITY TO SHARE HARMONY

#### Community Investment

The corporate development is closely related to the support of society, for which we are deeply grateful, and we always take practical actions to fulfil corporate social responsibilities, actively make contribution to society. During the Reporting Period, we continued to invest in public welfare undertakings, systematically carried out various public welfare projects to help the people in need, so as to improve their living conditions. We believe that only by sharing the fruits of development with the society can we achieve a truly sustainable future. In the future, we will continue to explore diversified public welfare pathways, gather more goodwill and strength, and contribute to the harmonious development of society with our corporate responsibility.

#### *Community Care*

On January 23, as the Spring Festival approached, relevant responsible persons from the Group's Party Committee visited the village they were supporting, joining the village's leaders in a joint visit and outreach activity to ensure that low-income families and the elderly living alone could enjoy a joyful and peaceful holiday. The team delivered rice, flour, oil, and other necessities to several families in need, engaging in friendly conversations to understand their needs and reminding them to stay warm. This activity not only provided material assistance but also offered emotional support to the people in need, allowing them to truly feel the warmth and care of the Company, while also promoting the traditional Chinese virtues of respecting the elderly, caring for the young and helping those in distress.

The Company firmly believes that active participation in public welfare is a core way for enterprises to fulfill their social responsibility and give back to the society, which not only helps employees to enhance their sense of responsibility and achieve personal growth through philanthropic contributions, but also builds a culture system within the Company that combines warmth and responsibility. Looking forward, the Company will continue to leverage its unique business characteristics and resource advantages, proactively engage in various public welfare undertakings and related activities, practice the philanthropic philosophy with pragmatic and dedicated actions, spread social warmth, give back to the society, join hands with all employees for mutual development, striving for mutual progress, harmony and mutual benefit and high-quality collaborative development of the Company and society.

# AUDIT REPORT

Tian Jian Shen [2026] No. 3-99

TO THE SHAREHOLDERS OF HEBEI YICHEN INDUSTRIAL GROUP CORPORATION LIMITED,

## I. AUDIT OPINION

We have audited the financial statements of Hebei Yichen Industrial Group Corporation Limited (hereinafter referred to as “Yichen Industrial Corporation”), which comprise the consolidated and parent company balance sheet as at 31 December 2025, the consolidated and parent company income statements, the consolidated and parent company statements of cash flows, the consolidated and parent company statements of changes in owners’ equity for the year of 2025, and relevant notes to the financial statements.

In our opinion, the attached financial statements present fairly, in all material aspects, the consolidated and parent company’s financial position of Yichen Industrial Corporation as at 31 December 2025 and the consolidated and parent company’s operational performance and cash flows for the year of 2025 in accordance with the Accounting Standards for Business Enterprises.

## II. BASIS FOR OPINION

We conducted our audit in accordance with the Auditing Standards for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the section headed “Auditor’s Responsibilities for the Audit of the Financial Statements” of the audit report. We are independent of Yichen Industrial Corporation and have fulfilled our other ethical responsibilities in accordance with the China’s CPA Independence Standard No. 1 – Requirements for Independence of Financial Statement Audit and Review Business (《中國註冊會計師獨立性準則第1號—財務報表審計和審閱業務對獨立性的要求》) and the Code of Ethics for Chinese Certified Public Accountants. We complied with the independence requirements for audits of public interest entities during the audit process. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Audit Report

**III. KEY AUDIT MATTERS**

Key audit matters are the matters that, in our professional judgment, were of most significance in our audit of the financial statements for 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.

**(I) Revenue recognition****1. Description of matter**

For relevant information disclosure, see Notes III(XXII), V(II) 1 and XIV to the financial statements.

Yichen Industrial Corporation generated its revenue mainly from sales of products such as rail fastening system, welding wire and railway sleepers. In 2025, Yichen Industrial Corporation's revenue was RMB1,667,135,143.70.

Since revenue is one of the key performance indicators of Yichen Industrial Corporation, there may be inherent risks that the management of Yichen Industrial Corporation (the "Management") may use inappropriate revenue recognition to achieve specific goals or expectations. Therefore, we identified revenue recognition as a key audit matter.

### III. KEY AUDIT MATTERS *(Continued)*

#### (I) Revenue recognition *(Continued)*

##### 2. Audit response

With regard to revenue recognition, our audit procedures mainly include:

- (1) obtaining an understanding of key internal controls relating to revenue recognition, assessing the design of such controls to confirm their implementation, and testing the operational effectiveness of the relevant internal controls;
- (2) examining sales contract, understanding major contract terms or conditions, and evaluating whether the revenue recognition methods are appropriate;
- (3) implementing analysis procedures for revenue and gross profit margin by month, product, customer and etc., identifying whether there are significant or abnormal fluctuations, and looking into the causes;
- (4) (in respect of revenue from domestic sales) checking relevant supporting documents for selected items, including sales contracts, orders, sales invoices, delivery orders, and customer receipts, etc.; (in respect of export revenue) obtaining electronic port information and verifying it with book records, and checking relevant supporting documents for the selected items, including sales contracts, export declarations, freight bills of lading and sales invoices;
- (5) confirming the sales amount of selected items by taking into account the confirmation letters for accounts receivable and contract assets;
- (6) running a cut-off test to check whether the revenue was recognised during an appropriate period;
- (7) obtaining sales return records after the balance sheet date and checking whether there are circumstances failing to meet revenue recognition conditions as at the balance sheet date;
- (8) checking if the information related to revenue was appropriately presented in the financial statements.

## Audit Report

**III. KEY AUDIT MATTERS** *(Continued)***(II) Impairment of accounts receivable****1. Description of matter**

For relevant information disclosure, see Notes III(XII) and V(I) 3 to the financial statements.

As of 31 December 2025, the book balance of accounts receivable of Yichen Industrial Corporation was RMB1,830,412,446.78, the provision for bad debts was RMB325,812,075.07 and the book value was RMB1,504,600,371.71.

Based on the credit risk characteristics of each accounts receivable and contract assets, the management measures its loss provision at an amount equivalent to the lifetime expected credit loss on an individual or collective basis. Since the amount of accounts receivable is significant, and impairment test of accounts receivable involves significant management judgment, we determine the impairment of accounts receivable and contract assets as a key audit matter.

### III. KEY AUDIT MATTERS *(Continued)*

#### (II) Impairment of accounts receivable *(Continued)*

##### 2. *Audit response*

With regard to impairment of accounts receivable, our audit procedures mainly include:

- (1) obtaining an understanding of key internal controls relating to impairment of accounts receivable, assessing the design of such controls to confirm their implementation, and testing the operational effectiveness of the relevant internal controls;
- (2) reviewing the results of the estimates made by the Management regarding provision for bad debts in prior years or the subsequent re-estimation made by the Management;
- (3) reviewing the relevant consideration and objective evidences of credit risk assessment on accounts receivable and evaluating whether the Management has appropriately identified the credit risk characteristics of each accounts receivable;
- (4) (in respect of accounts receivable with the expected credit loss measured on an individual basis) reviewing the Management's forecast on the expected collection of cash flows, evaluating the appropriateness of material assumptions and the appropriateness, relevance and reliability of data used in the forecast, and verifying them against external evidences obtained;
- (5) (in respect of accounts receivable with the expected credit loss measured on a collective basis) evaluating the reasonableness of grouping by the Management based on credit risk characteristics; evaluating the reasonableness of the expected credit loss rate of accounts receivable determined by the Management, including the appropriateness of material assumptions and the appropriateness, relevance and reliability of data used during the process; testing the accuracy of the Management's calculation on the provision for bad debts;
- (6) evaluating the reasonableness of the Management's provision for bad debts, taking into account the confirmation letter and the subsequent recovery of accounts receivable;
- (7) checking if the information related to the impairment of accounts receivable was appropriately presented in the financial statements.

## Audit Report

### **IV. OTHER INFORMATION**

The Management is responsible for other information. Other information comprises all the information included in the annual report other than the financial statements and our audit report.

Our opinion expressed on the financial statements does not cover 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 other information and, in doing so, consider whether 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 this 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 is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Accounting Standards for Business Enterprises, and for such internal control to be designed, exercised and maintained as the Management determines is necessary to enable the preparation of 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 Yichen Industrial Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern assumption unless it intends to liquidate, or to cease operations, or has no realistic alternative but to do so.

Those charged with the governance of Yichen Industrial Corporation (hereinafter referred to as Those Charged with Governance) are responsible for overseeing Yichen Industrial Corporation's financial reporting process.

## 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 audit report containing our audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing 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 influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit work in accordance with the Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) obtain an understanding 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 internal control.
- (3) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- (4) conclude on the appropriateness of the Management's use of the going concern assumptions and, based on the audit evidence obtained, whether there is a material uncertainty in relation to events or conditions that may cast significant doubt on Yichen Industrial Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the Standards on Auditing to draw the attention of users in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause Yichen Industrial Corporation to cease to continue as a going concern.

## Audit Report

**VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS** *(Continued)*

- (5) evaluate the overall presentation, structure and content 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 appropriate audit evidence regarding the financial information of the entities or business activities within Yichen Industrial Corporation to express an audit opinion on the financial statements. We are responsible for the direction, supervision and performance of group audit and remain solely responsible for our audit opinion.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our audit 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 audit report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pan-China Certified Public Accountants LLP

Chinese Certified Public Accountant:  
(Partner-in-charge of project)  
Li Lian

Hangzhou, the PRC

Chinese Certified Public Accountant:  
Li Xin

8 April 2026

# CONSOLIDATED BALANCE SHEET

31 December 2025

Unit: RMB

Assets	Notes	Closing balance	Closing balance of last year
<b>Current assets:</b>			
Monetary capital	1	<b>341,926,826.56</b>	157,848,753.11
Provision for settlement			
Lending to banks and other financial institutions			
Financial assets held for trading			
Derivative financial assets			
Notes receivable	2	<b>45,627,552.01</b>	54,689,198.87
Accounts receivable	3	<b>1,504,600,371.71</b>	1,193,123,529.49
Financing of receivables	4	<b>5,768,350.97</b>	12,520,009.41
Prepayments	5	<b>58,451,882.12</b>	31,443,731.01
Insurance premiums receivable			
Cession premiums receivable			
Deposits receivable from reinsurance contract			
Other receivables	6	<b>7,299,427.96</b>	7,961,605.99
Recoursable financial assets acquired			
Inventories	7	<b>266,692,683.82</b>	422,597,534.70
Including: Data resources			
Contract assets	8	<b>18,864,638.45</b>	30,096,517.24
Assets held for sale			
Non-current assets due within one year			
Other current assets	9	<b>4,166,721.50</b>	20,048,842.48
<b>Total current assets</b>		<b>2,253,398,455.10</b>	1,930,329,722.30

## Consolidated Balance Sheet

31 December 2025

Assets	Notes	Closing balance	Closing balance of last year
<b>Non-current assets:</b>			
Loans and advances granted			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	10	<b>345,977,288.54</b>	309,091,068.98
Other equity instruments investment	11	<b>8,197,392.29</b>	18,197,392.29
Other non-current financial assets			
Investment properties			
Fixed assets	12	<b>639,661,297.39</b>	689,660,945.52
Construction in progress	13	<b>210,938,104.70</b>	154,372,752.64
Bearer biological assets			
Oil and gas assets			
Right-of-use assets	14	<b>612,767.35</b>	1,225,534.69
Intangible assets	15	<b>145,955,421.16</b>	142,577,948.63
Including: Data resources			
Development expenditures			
Including: Data resources			
Goodwill	16	<b>5,491,278.19</b>	59,835,952.92
Long-term deferred expenses	17	<b>489,330.56</b>	672,829.52
Deferred income tax assets	18	<b>63,783,969.22</b>	57,235,882.32
Other non-current assets	19	<b>141,133,181.05</b>	138,297,314.17
Total non-current assets		<b>1,562,240,030.45</b>	1,571,167,621.68
<b>Total assets</b>		<b>3,815,638,485.55</b>	3,501,497,343.98

## Consolidated Balance Sheet

31 December 2025

Liabilities and owners' equity (or Shareholders' equity)	Notes	Closing balance	Closing balance of last year
<b>Current liabilities:</b>			
Short-term borrowings	21	<b>21,020,804.50</b>	125,640,149.32
Borrowings from central bank			
Borrowed funds			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	22	<b>82,642,831.84</b>	53,000,000.00
Accounts payable	23	<b>445,067,510.15</b>	391,730,114.86
Advance receipts			
Contract liabilities	24	<b>15,524,312.93</b>	10,913,342.91
Financial assets sold for repurchase			
Customer deposits and interbank deposits			
Funds received from securities trading agency service			
Funds received from securities underwriting business			
Payroll payable	25	<b>9,144,031.67</b>	7,603,303.19
Tax payable	26	<b>41,196,866.66</b>	15,285,469.02
Other payables	27	<b>16,222,751.33</b>	19,739,058.41
Handling charges and commissions payable			
Cession premiums payable			
Liabilities held for sale			
Non-current liabilities due within one year	28	<b>166,452,166.81</b>	92,862,564.74
Other current liabilities	29	<b>1,028,160.71</b>	906,711.48
<b>Total current liabilities</b>		<b>798,299,436.60</b>	717,680,713.93

## Consolidated Balance Sheet

31 December 2025

Liabilities and owners' equity (or Shareholders' equity)	Notes	Closing balance	Closing balance of last year
<b>Non-current liabilities:</b>			
Provision for insurance contracts			
Long-term borrowings	30	<b>352,163,000.00</b>	384,301,000.00
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	31		632,166.81
Long-term payables			
Long-term payroll payables			
Provision for liabilities			
Deferred income	32	<b>4,013,266.67</b>	4,245,866.67
Deferred income tax liabilities	18	<b>241,498.50</b>	264,912.23
Other non-current liabilities			
Total non-current liabilities		<b>356,417,765.17</b>	389,443,945.71
Total liabilities		<b>1,154,717,201.77</b>	1,107,124,659.64
<b>Owners' equity (or Shareholders' equity):</b>			
Paid-in capital (or share capital)	33	<b>448,920,000.00</b>	448,920,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	34	<b>813,776,643.64</b>	813,934,037.92
Less: Treasury shares	35	<b>27,919,676.11</b>	24,878,196.19
Other comprehensive income	36	<b>-123,507.71</b>	-123,507.71
Special reserve			
Surplus reserve	37	<b>185,203,779.81</b>	156,494,587.84
Provision for general risks			
Undistributed profits	38	<b>1,227,678,621.09</b>	987,101,140.58
Total equity attributable to owners of the parent		<b>2,647,535,860.72</b>	2,381,448,062.44
Minority interests		<b>13,385,423.06</b>	12,924,621.90
Total owners' equity		<b>2,660,921,283.78</b>	2,394,372,684.34
<b>Total liabilities and owners' equity</b>		<b>3,815,638,485.55</b>	3,501,497,343.98

# BALANCE SHEET OF PARENT COMPANY

31 December 2025

Unit: RMB

Assets	Notes	Closing balance	Closing balance of last year
<b>Current assets:</b>			
Monetary capital		<b>291,570,655.75</b>	104,063,829.58
Financial assets held for trading			
Derivative financial assets			
Bills receivable		<b>10,455,319.22</b>	7,390,372.51
Accounts receivable	1	<b>1,416,860,476.51</b>	1,087,461,462.01
Financing of receivables		<b>1,789,193.85</b>	761,212.61
Prepayments		<b>26,907,700.02</b>	16,314,910.93
Other receivables	2	<b>64,315,142.33</b>	42,187,921.28
Inventories		<b>202,695,404.74</b>	386,073,982.16
Including: data resources			
Contract assets		<b>16,056,870.63</b>	28,095,192.44
Assets held for sale			
Non-current assets due within one year			
Other current assets		<b>278,841.92</b>	16,945,941.67
<b>Total current assets</b>		<b>2,030,929,604.97</b>	1,689,294,825.19
<b>Non-current assets:</b>			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	3	<b>717,049,657.03</b>	713,882,440.19
Other equity instruments investment		<b>8,197,392.29</b>	18,197,392.29
Other non-current financial assets			
Investment properties			
Fixed assets		<b>528,389,169.77</b>	569,742,057.54
Construction in progress		<b>210,938,104.70</b>	154,361,451.93
Bearer biological assets			
Oil and gas assets			
Right-of-use assets		<b>612,767.35</b>	1,225,534.69
Intangible assets		<b>140,332,575.61</b>	136,813,954.12
Including: data resources			
Development expenditures			
Including: data resources			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets		<b>61,502,517.70</b>	54,768,998.05
Other non-current assets		<b>133,750,641.79</b>	131,318,484.42
<b>Total non-current assets</b>		<b>1,800,772,826.24</b>	1,780,310,313.23
<b>Total assets</b>		<b>3,831,702,431.21</b>	3,469,605,138.42

## Balance Sheet of Parent Company

31 December 2025

Liabilities and owners' equity	Notes	Closing balance	Closing balance of last year
<b>Current liabilities:</b>			
Short-term borrowings			89,800,000.00
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable		<b>77,740,490.24</b>	53,000,000.00
Accounts payable		<b>431,016,688.55</b>	339,948,822.19
Advance receipts			
Contract liabilities		<b>30,334,575.45</b>	29,367,575.04
Payroll payable		<b>6,927,577.42</b>	5,286,820.70
Tax payable		<b>36,963,545.08</b>	12,844,799.16
Other payables		<b>130,680,663.13</b>	133,599,328.66
Liabilities held for sale			
Non-current liabilities due within one year		<b>166,452,166.81</b>	92,862,564.74
Other current liabilities		<b>268,199.73</b>	383,269.78
Total current liabilities		<b>880,383,906.41</b>	757,093,180.27
<b>Non-current liabilities:</b>			
Long-term borrowings		<b>352,163,000.00</b>	381,301,000.00
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			632,166.81
Long-term payables			
Long-term payroll payables			
Provision for liabilities			
Deferred income		<b>4,013,266.67</b>	4,245,866.67
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		<b>356,176,266.67</b>	386,179,033.48
Total liabilities		<b>1,236,560,173.08</b>	1,143,272,213.75
<b>Owners' equity (or Shareholders' equity):</b>			
Paid-in capital (or share capital)		<b>448,920,000.00</b>	448,920,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		<b>832,289,210.19</b>	832,446,604.47
Less: Treasury stock		<b>27,919,676.11</b>	24,878,196.19
Other comprehensive income		<b>-123,507.71</b>	-123,507.71
Special reserve			
Surplus reserve		<b>185,203,779.81</b>	156,494,587.84
Undistributed profits		<b>1,156,772,451.95</b>	913,473,436.26
Total owners' equity		<b>2,595,142,258.13</b>	2,326,332,924.67
<b>Total liabilities and owners' equity</b>		<b>3,831,702,431.21</b>	3,469,605,138.42

# CONSOLIDATED INCOME STATEMENT

2025

Unit: RMB

Items	Notes	Amounts for the period	Amounts for the same period of prior year
I. Total operating revenue		<b>1,667,135,143.70</b>	1,090,749,926.12
Including: Operating income	1	<b>1,667,135,143.70</b>	1,090,749,926.12
Interest income			
Premiums earned			
Handling charges and commissions income			
II. Total operating cost		<b>1,299,965,872.80</b>	1,009,771,818.05
Including: Operating cost	1	<b>1,082,560,069.39</b>	837,625,892.66
Interest expense			
Handling charges and commissions expenses			
Surrender value			
Net payments for insurance claims			
Withdrawal of insurance responsibility reserves, net			
Insurance policy dividends paid			
Reinsurance costs			
Taxes and surcharges	2	<b>20,758,514.11</b>	13,473,644.34
Selling expenses	3	<b>22,551,068.88</b>	20,677,903.63
Management expenses	4	<b>111,160,339.23</b>	92,528,209.30
Research and development expenses	5	<b>45,764,390.67</b>	27,420,050.83
Finance costs	6	<b>17,171,490.52</b>	18,046,117.29
Including: Interest costs		<b>18,089,660.34</b>	18,054,168.77
Interest income		<b>1,673,469.54</b>	1,275,562.65
Add: Other income	7	<b>2,601,453.25</b>	4,095,474.07
Investment gains (“-” indicates for losses)	8	<b>68,682,035.85</b>	14,895,631.58
Including: Gains on investments in associates and joint ventures		<b>68,682,035.85</b>	23,416,869.85
Gains on derecognition of financial assets measured at amortised cost			
Foreign exchange gains (“-” indicates for losses)			
Net income on exposure hedging (“-” indicates for losses)			
Gains from changes in fair value (“-” indicates for losses)	9		-59,643,427.68
Loss on credit impairment (“-” indicates for losses)	10	<b>-27,073,944.20</b>	-64,176,392.08
Impairment loss of assets (“-” indicates for losses)	11	<b>-77,238,436.44</b>	-34,802,477.56
Gains on disposal of assets (“-” indicates for losses)			

## Consolidated Income Statement

2025

Items	Notes	Amounts for the period	Amounts for the same period of prior year
III. Operating profits (“-” indicates for losses)		<b>334,140,379.36</b>	-58,653,083.60
Add: Non-operating incomes	12	<b>112,209.97</b>	1,527,983.38
Less: Non-operating expenses	13	<b>612,437.99</b>	598,714.48
IV. Total profit (“-” indicates for total losses)		<b>333,640,151.34</b>	-57,723,814.70
Less: Income tax expenses	14	<b>48,808,965.70</b>	-6,675,589.91
V. Net profit (“-” indicates for net losses)		<b>284,831,185.64</b>	-51,048,224.79
(I) Classified by continuity:			
1. Net profit from continuing operations (“-” indicates for net losses)		<b>284,831,185.64</b>	-51,048,224.79
2. Net profit from discontinued operations (“-” indicates for net losses)			
(II) Classified by equity holdings:			
1. Net profit attributable to owners of the parent (“-” indicates for net losses)		<b>284,370,384.48</b>	-50,828,456.99
2. Profit and loss attributable to minority interests (“-” indicates for net losses)		<b>460,801.16</b>	-219,767.80
VI. Other comprehensive income after tax, net			
Other comprehensive income after tax attributable to owners of the parent, net			
(I) Other comprehensive income that cannot be reclassified to profit or loss			
1. Remeasurement of changes in defined benefit plan			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of other equity instruments investment			
4. Changes in fair value arising from the Company’s own credit risks			
5. Others			

## Consolidated Income Statement

2025

Items	Notes	Amounts for the period	Amounts for the same period of prior year
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that can be transferred to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Provisions for credit impairment of other debt investments			
5. Cash flow hedge reserve			
6. Differences on translation of foreign currency financial statements			
7. Others			
Other comprehensive income after tax attributable to minority interests, net			
VII. Total comprehensive income		<b>284,831,185.64</b>	-51,048,224.79
Total comprehensive income attributable to owners of the parent		<b>284,370,384.48</b>	-50,828,456.99
Total comprehensive income attributable to minority interests		<b>460,801.16</b>	-219,767.80
VIII. Earnings per share:			
(I) Basic earnings per share		<b>0.32</b>	-0.06
(II) Diluted earnings per share		<b>0.32</b>	-0.06

# INCOME STATEMENT OF PARENT COMPANY

2025

Unit: RMB

Items	Notes	Amounts for the period	Amounts for the same period of prior year
I. Operating revenue	1	<b>1,322,830,182.97</b>	704,875,219.60
Less: Operating cost	1	<b>761,144,943.03</b>	473,033,074.78
Taxes and surcharges		<b>20,053,269.85</b>	12,518,520.29
Selling expenses		<b>15,712,294.78</b>	14,509,085.77
Management expenses		<b>101,275,996.37</b>	82,624,368.01
Research and development expense	2	<b>43,028,403.24</b>	23,172,298.08
Finance costs		<b>16,444,320.37</b>	17,516,435.61
Including: Interest costs		<b>17,591,750.22</b>	17,558,906.00
Interest income		<b>1,645,708.37</b>	1,206,096.66
Add: Other income		<b>2,219,418.43</b>	3,410,060.75
Investment gains (“-” indicates for losses)	3	<b>68,682,035.85</b>	20,772,164.37
Including: Gains on investments in associates and joint ventures		<b>68,682,035.85</b>	23,416,869.85
Gains on derecognition of financial assets measured at amortised cost			
Net income on exposure hedging (“-” indicates for losses)			
Gains from changes in fair value (“-” indicates for losses)			-61,927,707.47
Loss on credit impairment (“-” indicates for losses)		<b>-26,370,907.77</b>	-59,366,373.57
Impairment loss on assets (“-” indicates for losses)		<b>-75,097,044.74</b>	-32,210,223.77
Gains on disposal of assets (“-” indicates for losses)			
II. Operating profits (“-” indicates for losses)		<b>334,604,457.10</b>	-47,820,642.63
Add: Non-operating incomes		<b>27,644.52</b>	1,527,965.87
Less: Non-operating expenses		<b>408,874.45</b>	500,257.65
III. Total profit (“-” indicates for total losses)		<b>334,223,227.17</b>	-46,792,934.41
Less: Income tax expenses		<b>47,131,307.51</b>	-9,233,152.54
IV. Net profit (“-” indicates for net losses)		<b>287,091,919.66</b>	-37,559,781.87
(I) Net profit from continuing operations (“-” indicates for net losses)		<b>287,091,919.66</b>	-37,559,781.87
(II) Net profit from discontinued operations (“-” indicates for net losses)			

## Income Statement of Parent Company

2025

Items	Notes	Amounts for the period	Amounts for the same period of prior year
V. Other comprehensive income after tax, net <ul style="list-style-type: none"> <li>(I) Other comprehensive income that cannot be reclassified to profit or loss               <ul style="list-style-type: none"> <li>1. Remeasurement of changes in defined benefit plan</li> <li>2. Other comprehensive income that cannot be transferred to profit or loss under the equity method</li> <li>3. Changes in fair value of other equity instruments investment</li> <li>4. Changes in fair value arising from the Company's own credit risks</li> <li>5. Others</li> </ul> </li> <li>(II) Other comprehensive income that will be reclassified to profit or loss               <ul style="list-style-type: none"> <li>1. Other comprehensive income that can be transferred to profit or loss under the equity method</li> <li>2. Changes in fair value of other debt investments</li> <li>3. Financial assets reclassified into other comprehensive income</li> <li>4. Provisions for credit impairment of other debt investments</li> <li>5. Cash flow hedge reserve</li> <li>6. Differences on translation of foreign currency financial statements</li> <li>7. Others</li> </ul> </li> </ul>			
VI. Total comprehensive income		<b>287,091,919.66</b>	-37,559,781.87
VII. Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			

# CONSOLIDATED STATEMENT OF CASH FLOWS

2025

Unit: RMB

Items	Notes	Amounts for the period	Amounts for the same period of prior year
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of labour service		<b>1,261,516,068.53</b>	781,969,171.60
Net increase in customer deposits and interbank deposits			
Net increase in loan from central bank			
Net increase in loan from other financial institutions			
Cash received from premiums of original insurance contracts			
Net cash received from reinsurance business			
Net increase in policyholder deposits and investment funds			
Cash received from interests, handling charges and commissions			
Net increase in borrowed funds			
Net increase in funds of repurchase business			
Net cash received from securities trading agency services			
Refund of taxes		<b>7,728,701.24</b>	7,530,198.31
Other cash received in relation to operating activities	1(1)	<b>30,034,044.17</b>	40,853,791.48
Sub-total of cash inflow from operating activities		<b>1,299,278,813.94</b>	830,353,161.39
Cash paid for goods purchased and labour service received		<b>673,390,369.09</b>	556,245,690.16
Net increase in loans and advances from customers			
Net increase in deposits in central bank and other financial institutions			
Cash paid for original insurance contract claims			
Net increase in lending to banks and other financial institutions			
Cash paid for interest, handling charges and commissions			
Cash paid for policy dividend			
Cash paid to and for employees		<b>108,913,596.24</b>	107,783,730.47
Payments of taxes		<b>136,828,613.13</b>	52,980,047.88
Other cash paid in relation to operating activities	1(2)	<b>115,085,830.39</b>	95,421,444.19
Sub-total of cash outflows from operating activities		<b>1,034,218,408.85</b>	812,430,912.70
Net cash flows from operating activities	2	<b>265,060,405.09</b>	17,922,248.69

## Consolidated Statement of Cash Flows

2025

Items	Notes	Amounts for the period	Amounts for the same period of prior year
II. Cash flows from investing activities:			
Cash from disinvestments		<b>10,000,000.00</b>	58,776,688.12
Cash received from return of investments		<b>11,012,750.00</b>	13,102,950.25
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>26,000.00</b>	282,989.15
Net cash received from disposal of subsidiaries and other business units			
Other cash received in relation to investing activities			
Sub-total of cash inflows from investing activities		<b>21,038,750.00</b>	72,162,627.52
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		<b>31,951,682.23</b>	84,623,755.97
Cash paid for investment			38,307,605.18
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid in relation to investing activities		<b>50,000,000.00</b>	
Sub-total of cash outflows from investing activities		<b>81,951,682.23</b>	122,931,361.15
Net cash flows from investing activities		<b>-60,912,932.23</b>	-50,768,733.63

## Consolidated Statement of Cash Flows

2025

Items	Notes	Amounts for the period	Amounts for the same period of prior year
III. Cash flows from financing activities:			
Cash received from investment			
Including: Cash received by subsidiaries from minority Shareholders' investment			
Cash received from borrowings		<b>301,620,804.50</b>	551,593,422.14
Other cash received in relation to financing activities			
Sub-total of cash inflows from financing activities		<b>301,620,804.50</b>	551,593,422.14
Cash paid for repayment of debts		<b>339,968,000.00</b>	454,552,272.82
Cash paid for distribution of dividends and profits or repayment of interest		<b>33,143,735.25</b>	27,005,485.42
Including: Dividends and profits paid to minority Shareholders by subsidiaries			
Other cash paid in relation to financing activities	1(4)	<b>3,741,479.92</b>	25,578,196.19
Sub-total of cash outflows for financing activities		<b>376,853,215.17</b>	507,135,954.43
Net cash flows from financing activities		<b>-75,232,410.67</b>	44,457,467.71
IV. Effect of changes in foreign exchange rates on cash and cash equivalents		<b>-266,460.94</b>	-697,886.23
V. Net increase in cash and cash equivalents	3	<b>128,648,601.25</b>	10,913,096.54
Add: Opening balance of cash and cash equivalents		<b>100,974,352.18</b>	90,061,255.64
VI. Closing balance of cash and cash equivalents	3	<b>229,622,953.43</b>	100,974,352.18

# STATEMENT OF CASH FLOWS OF PARENT COMPANY

2025

Unit: RMB

Items	Notes	Amounts for the period	Amounts for the same period of prior year
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of labour service		<b>997,071,570.22</b>	561,406,333.03
Refund of taxes		<b>6,941,092.29</b>	2,478,357.53
Other cash received in relation to operating activities		<b>29,301,327.35</b>	40,843,730.75
Sub-total of cash inflow from operating activities		<b>1,033,313,989.86</b>	604,728,421.31
Cash paid for goods purchased and labour service received		<b>420,061,341.17</b>	331,924,241.27
Cash paid to and for employees		<b>80,012,549.51</b>	79,875,249.37
Payments of taxes		<b>132,728,490.92</b>	60,078,954.65
Other cash paid in relation to operating activities		<b>106,644,434.54</b>	88,830,767.54
Sub-total of cash outflows from operating activities		<b>739,446,816.14</b>	560,709,212.83
Net cash flows from operating activities		<b>293,867,173.72</b>	44,019,208.48
II. Cash flows from investing activities:			
Cash from disinvestments		<b>10,000,000.00</b>	33,961,249.80
Cash received from return of investments		<b>11,012,750.00</b>	13,018,452.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>1,259,579.69</b>	325,614.06
Net cash received from disposal of subsidiaries and other business units			
Other cash received in relation to investing activities			8,000,000.00
Sub-total of cash inflows from investing activities		<b>22,272,329.69</b>	55,305,315.86
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		<b>28,440,348.11</b>	79,401,750.88
Cash paid for investment			38,477,852.50
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid in relation to investing activities		<b>73,000,000.00</b>	5,500,000.00
Sub-total of cash outflows from investing activities		<b>101,440,348.11</b>	123,379,603.38
Net cash flows from investing activities		<b>-79,168,018.42</b>	-68,074,287.52

## Statement of Cash Flows of Parent Company

2025

Items	Notes	Amounts for the period	Amounts for the same period of prior year
III. Cash flows from financing activities:			
Cash received from investment			
Cash received from borrowings		<b>274,600,000.00</b>	505,740,000.00
Other cash received in relation to financing activities			
Sub-total of cash inflows from financing activities		<b>274,600,000.00</b>	505,740,000.00
Cash paid for repayment of debts		<b>319,968,000.00</b>	427,039,000.00
Cash paid for distribution of dividends and profits or repayment of interest		<b>32,645,825.13</b>	26,510,222.65
Other cash paid in relation to financing activities		<b>3,741,479.92</b>	25,578,196.19
Sub-total of cash outflows for financing activities		<b>356,355,305.05</b>	479,127,418.84
Net cash flows from financing activities		<b>-81,755,305.05</b>	26,612,581.16
IV. Effect of changes in foreign exchange rates on cash and cash equivalents		<b>-92,624.85</b>	-642,965.89
V. Net increase in cash and cash equivalents		<b>132,851,225.40</b>	1,914,536.23
Add: Opening balance of cash and cash equivalents		<b>47,369,401.92</b>	45,454,865.69
VI. Closing balance of cash and cash equivalents		<b>180,220,627.32</b>	47,369,401.92

# CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2025

Unit: RMB

Items	Amounts for the period											Total owners' equity	
	Equity attributable to owners of the parent												
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Undistributed profits		Minority interests
Preferred shares		Perpetual bonds	Others										
I. Closing balance of prior year	448,920,000.00				813,934,037.92	24,878,196.19	-123,507.71		156,494,587.84		987,101,140.58	12,924,621.90	2,394,372,684.34
Add: Changes in accounting policies													
Correction of errors in prior periods													
Combination of enterprises under common control													
Others													
II. Opening balance of current year	448,920,000.00				813,934,037.92	24,878,196.19	-123,507.71		156,494,587.84		987,101,140.58	12,924,621.90	2,394,372,684.34
III. Increase or decrease for the period													
("—" indicates for decreases)					-157,394.28	3,041,479.92			28,709,191.97		240,577,480.51	460,801.16	266,548,599.44
(I) Total comprehensive income												460,801.16	284,831,185.64
(II) Capital invested and decreased by owners						3,041,479.92							-3,041,479.92
1. Ordinary shares invested by owners													
2. Capital invested by holders of other equity instruments													
3. Amounts of share-based payments included in owners' equity													
4. Others						3,041,479.92							-3,041,479.92
(III) Profit distribution									28,709,191.97		-43,792,903.97		-15,083,712.00
1. Appropriation to surplus reserve									28,709,191.97		-28,709,191.97		
2. Withdrawal of provision for general risks													
3. Distribution to owners (or Shareholders)												-15,083,712.00	-15,083,712.00
4. Others													
(IV) Internal carry-forward of owners' equities													
1. Capital reserve transferred to capital (or share capital)													
2. Surplus reserves transferred to capital (or share capital)													
3. Surplus reserves offsetting losses													
4. Changes arising from defined benefit plans carried forward to retained earnings													
5. Other comprehensive income carried forward to retained earnings													
6. Others													
(V) Special reserve													
1. Amount withdrawn in current period													
2. Amount used in current period													
(VI) Others					-157,394.28								-157,394.28
IV. Closing balance of current period	448,920,000.00				813,776,643.64	27,919,676.11	-123,507.71		185,203,779.81		1,227,678,621.09	13,385,423.06	2,660,921,283.78

## Consolidated Statement of Changes in Owners' Equity

2025

Items	Amounts for the same period of prior year												
	Equity attributable to owners of the parent												Total owners' equity
	Other equity instruments				Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Undistributed profits	Minority interests	
Paid-up capital (or share capital)	Preferred shares	Perpetual bonds	Others										
I. Closing balance of prior year	448,920,000.00				813,538,772.51		-123,507.71		156,494,587.84		1,046,929,545.57	13,144,389.70	2,478,903,787.91
Add: Changes in accounting policies													
Correction of errors in prior periods													
Combination of enterprises under common control													
Others													
II. Opening balance of current year	448,920,000.00				813,538,772.51		-123,507.71		156,494,587.84		1,046,929,545.57	13,144,389.70	2,478,903,787.91
III. Increase or decrease for the period													
("-" indicates for decreases)					395,265.41	24,878,196.19					-59,828,404.99	-219,767.80	-84,531,103.57
(I) Total comprehensive income											-50,828,456.99	-219,767.80	-51,048,224.79
(II) Capital invested and decreased by owners						24,878,196.19							-24,878,196.19
1. Ordinary shares invested by owners													
2. Capital invested by holders of other equity instruments													
3. Amounts of share-based payments included in owners' equity													
4. Others						24,878,196.19							-24,878,196.19
(III) Profit distribution											-8,999,948.00		-8,999,948.00
1. Appropriation to surplus reserve													
2. Withdrawal of provision for general risks													
3. Distribution to owners (or Shareholders)											-8,999,948.00		-8,999,948.00
4. Others													
(IV) Internal carry-forward of owners' equities													
1. Capital reserve transferred to capital (or share capital)													
2. Surplus reserves transferred to capital (or share capital)													
3. Surplus reserves offsetting losses													
4. Changes arising from defined benefit plans carried forward to retained earnings													
5. Other comprehensive income carried forward to retained earnings													
6. Others													
(V) Special reserve													
1. Amount withdrawn in current period													
2. Amount used in current period													
(VI) Others					395,265.41								395,265.41
IV. Closing balance of current period	448,920,000.00				813,934,037.92	24,878,196.19	-123,507.71		156,494,587.84		987,101,140.58	12,924,621.90	2,394,372,684.34

# STATEMENT OF CHANGES IN OWNERS' EQUITY OF PARENT COMPANY

2025

Unit: RMB

Items	Other equity instruments				Amounts for the period						
	Paid-up capital (or share capital)	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
I. Closing balance of prior year	448,920,000.00				832,446,604.47	24,878,196.19	-123,507.71		156,494,587.84	913,473,436.26	2,326,332,924.67
Add: Changes in accounting policies											
Correction of errors in prior periods											
Others											
II. Opening balance of current year	448,920,000.00				832,446,604.47	24,878,196.19	-123,507.71		156,494,587.84	913,473,436.26	2,326,332,924.67
III. Increase or decrease for the period											
("—" indicates for decreases)											
(I) Total comprehensive income					-157,394.28	3,041,479.92			28,709,191.97	243,299,015.69	268,809,333.46
(II) Capital invested and decreased by owners						3,041,479.92					-3,041,479.92
1. Ordinary shares invested by owners											
2. Capital invested by holders of other equity instruments											
3. Amounts of share-based payments included in owners' equity											
4. Others						3,041,479.92					-3,041,479.92
(III) Profit distribution									28,709,191.97	-43,792,903.97	-15,083,712.00
1. Appropriation to surplus reserve									28,709,191.97	-28,709,191.97	
2. Distribution to owners (or Shareholders)											
3. Others										-15,083,712.00	-15,083,712.00
(IV) Internal carry-forward of owners' equities											
1. Capital reserve transferred to capital (or share capital)											
2. Surplus reserves transferred to capital (or share capital)											
3. Surplus reserves offsetting losses											
4. Changes arising from defined benefit plans carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserves											
1. Amount withdrawn in current period											
2. Amount used in current period											
(VI) Others					-157,394.28						-157,394.28
IV. Closing balance of current period	448,920,000.00				832,289,210.19	27,919,676.11	-123,507.71		165,203,779.81	1,156,772,451.95	2,595,142,258.13

## Statement of Changes in Owners' Equity of Parent Company

2025

Items	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Amounts for the same period of prior year					Total owners' equity
		Preferred shares	Perpetual bonds	Others		Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	
I. Closing balance of prior year	448,920,000.00				832,051,339.06		-123,507.71		156,494,587.84	960,033,166.13	2,397,375,585.32
Add: Changes in accounting policies											
Correction of errors in prior periods											
Others											
II. Opening balance of current year	448,920,000.00				832,051,339.06		-123,507.71		156,494,587.84	960,033,166.13	2,397,375,585.32
III. Increase or decrease for the period											
("—" indicates for decreases)					395,265.41	24,878,196.19				-46,559,729.87	-71,042,660.65
(I) Total comprehensive income										-37,559,781.87	-37,559,781.87
(II) Capital invested and decreased by owners						24,878,196.19					-24,878,196.19
1. Ordinary shares invested by owners											
2. Capital invested by holders of other equity instruments											
3. Amounts of share-based payments included in owners' equity											
4. Others						24,878,196.19					-24,878,196.19
(III) Profit distribution										-8,999,948.00	-8,999,948.00
1. Appropriation to surplus reserve											
2. Distribution to owners (or Shareholders)										-8,999,948.00	-8,999,948.00
3. Others											
(IV) Internal carry-forward of owners' equities											
1. Capital reserve transferred to capital (or share capital)											
2. Surplus reserves transferred to capital (or share capital)											
3. Surplus reserves offsetting losses											
4. Changes arising from defined benefit plans carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserves											
1. Amount withdrawn in current period											
2. Amount used in current period											
(VI) Others					395,265.41						395,265.41
IV. Closing balance of current period	448,920,000.00				832,446,604.47	24,878,196.19	-123,507.71		156,494,587.84	913,473,436.26	2,326,332,924.67

# NOTES TO THE FINANCIAL STATEMENTS

2025

*Amount unit: RMB*

## I. GENERAL INFORMATION OF THE COMPANY

Hebei Yichen Industrial Group Corporation Limited (hereinafter referred to as the Company) was formerly known as Hebei Yichen Industrial Group Co., Ltd. (河北翼辰實業集團有限公司) (hereinafter referred to as Yichen Industrial Ltd.). Yichen Industrial Ltd. was jointly funded by 22 natural persons including Zhang Haijun. On 9 April 2001, Yichen Industrial Ltd. was registered in the Commerce and Administration Bureau in Hebei Province (河北省工商行政管理局) with its headquarters located in Shijiazhuang City, Hebei Province. The Company currently holds the business license for an enterprise as a legal person with a unified social credit code of 91130100107907438Y. The registered capital of the Company is RMB448,920,000 and its total number of Shares is 897,840,000 with a nominal value of RMB0.5 per share, among which, 673,380,000 are Domestic Shares and 224,460,000 are H Shares. The H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 21 December 2016.

The Company belongs to the manufacturing sector, and it is principally engaged in research and development, manufacturing and sales of products including rail fastening system, welding material and railway sleeper.

These financial statements were approved for publication at the 8th meeting of the fourth session of the Board of the Company on 8 April 2026.

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### (I) Basis of Preparation

These financial statements of the Company are prepared on a going concern basis.

### (II) Evaluation on Ability of Continuing Operation

The Company has no events or circumstances that may cast significant doubts upon the Company's ability to continue as a going concern within the 12 months after the end of the reporting period.

## Notes to the Financial Statements

2025

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

Important note: The Company has developed specific accounting policies and accounting estimates regarding transactions or events such as impairment on financial instruments, inventories, depreciation of fixed assets, construction in progress, intangible assets and revenue recognition according to actual production and operation features.

**(I) Statement of Compliance with the Accounting Standards for Business Enterprises**

The Company has prepared the financial statements in compliance with the Accounting Standards for Business Enterprises in order to give a true and full view of the information on the financial conditions, operating results and cash flows of the Company.

**(II) Accounting Period**

The fiscal year is from 1 January to 31 December of the Gregorian calendar.

**(III) Operating Cycle**

The Company has a relatively short operating cycle for its business, and adopts a 12-month period as the basis for liquidity classification of assets and liabilities.

**(IV) Functional Currency**

The Company's functional currency is Renminbi (RMB).

**(V) Determination Method and Selection Basis of Materiality Standards**

The Company follows the principle of materiality in preparing and disclosing financial statements. Disclosures in the notes to these financial statements involving the judgment based on materiality standards, and the determination methods and selection basis of the materiality standards are as follows:

Disclosures involving the judgment based on materiality standards	Determination method and selection basis of materiality standards
Material accounts receivable with provision for bad debts made individually	The amounts per item exceed the total assets by 0.5%
Material recovery or reversal of provision for bad debts on accounts receivable	The amounts per item exceed the total assets by 0.5%
Material write-off of accounts receivable	The amounts per item exceed the total assets by 0.5%
Material prepayments ageing over 1 year	The amounts per item exceed the total assets by 0.5%
Material other receivables with provision for bad debts made individually	The amounts per item exceed the total assets by 0.5%

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### (V) Determination Method and Selection Basis of Materiality Standards *(Continued)*

Disclosures involving the judgment based on materiality standards	Determination method and selection basis of materiality standards
Major projects under construction	The total investment of a single project exceeds the total assets by 0.5%
Material accounts payable ageing over 1 year	The amounts per item exceed the total assets by 0.5%
Material other payables ageing over 1 year	The amounts per item exceed the total assets by 0.5%
Material contract liabilities ageing over 1 year	The amounts per item exceed the total assets by 0.5%
Material cash flows from investing activities	The amounts per item exceed the total assets by 5%
Material overseas operating entities	The total assets/total revenue/total profit exceed 15% of total assets/total revenue/total profit of the Group
Material subsidiaries and non-wholly owned subsidiaries	The total assets/total revenue/total profit exceed 15% of total assets/total revenue/total profit of the Group
Material joint ventures and associates	Book value of a single long-term equity investment exceeds 15% of net assets of the Group/income from a single investment calculated under equity method exceeds 15% of total profit of the Group

## Notes to the Financial Statements

2025

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)***(VI) Accounting Treatments of Business Combination Under and not Under Common Control****1. Accounting treatment of business combination under common control**

Assets and liabilities arising from business combination are measured at book value of the combined party included in the consolidated financial statements of the ultimate controlling party on the combination date. Difference between book value of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration paid or total par value of Shares issued is adjusted to capital reserve, and if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

**2. Accounting treatment of business combination not under common control**

Where the combination cost exceeds the fair value of the acquiree's identifiable net assets on the acquisition date in the business combination, the difference is recognised as goodwill. Where the combination cost is less than the fair value of the acquiree's identifiable net assets in the business combination, the measurement to the fair value of various identifiable assets, liabilities and contingent liabilities acquired from the acquirees and the combination cost will be reviewed first and the difference is recognised in profit or loss for the current period in the event that the combination cost is still less than the fair value of the acquiree's identifiable net assets in the business combination after review.

**(VII) Standards for Determination of Control and Preparation of Consolidated Financial Statements****1. Determination of control**

An investor is deemed to have control when it has the power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and has the ability to influence the amount of variable returns by utilising the power over the investee.

**2. Preparation of consolidated financial statements**

(1) The parent company includes all subsidiaries under its control in the consolidation scope for consolidated financial statements, which are prepared by the parent company pursuant to the Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements based on the financial statements of the parent company and its subsidiaries and other relevant information.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### (VIII) Classification of Joint Arrangements and Accounting Treatments for Joint Operations

1. *Joint arrangements include joint operations and joint ventures.*
  
2. *A company recognises the following items relating to its share of interests under a joint operation when it is a party of the joint operation:*
  - (1) recognise assets held separately and recognise assets jointly held based on its share of proportion;
  - (2) recognise liabilities assumed separately and recognise liabilities jointly assumed based on its share of proportion;
  - (3) recognise revenue from the sale of its share of the output arising from the joint operation;
  - (4) recognise revenue from the sale of the assets under the joint operation based on the its share of proportion;
  - (5) recognise expenses incurred separately and recognise expenses incurred under the joint operation based on its share of proportion.

#### (IX) Standards for Determination of Cash and Cash Equivalents

Cash presented in the cash flow statement refers to cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## Notes to the Financial Statements

2025

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)***(X) Translation of Foreign Currency Transactions and Foreign Currency Statements****1. Translation of foreign currency transactions**

Transactions denominated in foreign currency are translated into RMB at the spot exchange rate on the date of transaction upon initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date, with the exchange difference arising from different exchange rates, except for those arising from the principal and interest of exclusive borrowings relating to setup of assets meeting the capitalisation conditions, to be included in profit or loss for the current period; foreign currency non-monetary items measured at historical cost are translated at the spot exchange rate on the date of transaction, without changing its RMB amount; foreign currency non-monetary items measured at fair value are translated at the spot exchange rate on the date of determination of fair value, with the difference included in profit or loss or other comprehensive income for the current period.

**2. Translation of foreign currency financial statements**

The assets and liabilities items in the balance sheet are translated at the spot exchange rate on the balance sheet date. Other items, excluding the "Undistributed profits", in the owners' equity are translated at the spot exchange rate on the date of transaction. The revenue and expenses items in the income statement are translated at the spot exchange rate on the date of transaction. Translation differences of the foreign currency financial statements arising from the above translation are included in other comprehensive income.

**(XI) Financial Instruments****1. Classification of financial assets and financial liabilities**

Financial assets are classified into the following three categories at initial recognition: (1) financial assets measured at amortised cost; (2) financial assets measured at fair value through other comprehensive income; (3) financial assets measured at fair value through profit or loss for the current period.

Financial liabilities are classified into the following four categories at initial recognition: (1) financial liabilities measured at fair value through profit or loss for the current period; (2) financial liabilities arising from financial assets of which the transfer does not meet the conditions for derecognition or continue to be involved in transferred financial assets; (3) the financial guarantee contracts which do not fall into (1) or (2) above, and the commitments to grant loans which do not fall into (1) above and have an interest rate lower than the market rate; (4) financial liabilities measured at amortised cost.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### (XI) Financial Instruments *(Continued)*

##### 2. Recognition criteria, measurement method and derecognition conditions of financial assets and financial liabilities

###### (1) Recognition criteria and initial measurement method of financial assets and financial liabilities

When the Company becomes a party to a financial instrument contract, it recognises a financial asset or financial liability. The financial assets or financial liabilities initially recognised by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss for the current period, the transaction expenses thereof are directly included in profit or loss for the current period; for other categories of financial assets or financial liabilities, the transaction expenses thereof are included into the initially recognised amount. However, accounts receivable initially recognised by the Company which do not contain a significant financing component, or financing components in a contract valid for less than one year which are not considered by the Company, are initially measured at transaction price as defined in the Accounting Standard for Business Enterprises No. 14 – Revenue.

###### (2) Subsequent measurement of financial assets

- 1) Financial assets measured at amortised cost  
These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be included in profit or loss when the financial asset is derecognised, reclassified, amortised using the effective interest method or recognised in respect of impairment.
- 2) Debt instrument investments at fair value through other comprehensive income  
These debt instrument investments are subsequently measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and foreign exchange gains and losses are included in profit or loss for the current period. Other gains or losses are included in other comprehensive income. On derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to profit or loss for the current period.
- 3) Equity instrument investments at fair value through other comprehensive income  
These equity instrument investments are subsequently measured at fair value. Dividends obtained (excluding those obtained as investment costs recovered) are included in profit or loss for the current period, while other gains or losses are included in other comprehensive income. On derecognition, cumulative gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings.

## Notes to the Financial Statements

2025

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)***(XI) Financial Instruments** *(Continued)***2. Recognition criteria, measurement method and derecognition conditions of financial assets and financial liabilities** *(Continued)*(2) Subsequent measurement of financial assets *(Continued)*

- 4) Financial assets at fair value through profit or loss for the current period  
These financial assets are subsequently measured at fair value, and any gain or loss therefrom (including interest and dividend income) is included in profit or loss for the current period, unless such financial assets are part of the hedging relationship.

(3) Subsequent measurement of financial liabilities

- 1) Financial liabilities at fair value through profit or loss for the current period  
These financial liabilities include trading financial liabilities (including derivative instruments classified as financial liabilities) and financial liabilities designated as at fair value through profit or loss for the current period. These financial liabilities are subsequently measured at fair value. Changes in fair value of financial liabilities designated as at fair value through profit or loss for the current period as a result of changes in the Company's own credit risk are included in other comprehensive income, unless this approach creates or enlarges an accounting mismatch in the profit or loss. Other gains or losses on these financial liabilities (including interest expenses and changes in fair value other than as a result of changes in the Company's own credit risk) are included in profit or loss for the current period, unless these financial liabilities are part of the hedging relationship. On derecognition, cumulative gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings.
- 2) Financial liabilities arising from financial assets of which the transfer does not meet the conditions for derecognition or continue to be involved in transferred financial assets  
These financial liabilities are measured in accordance with the Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets.
- 3) Financial guarantee contracts which do not fall into 1) or 2) above, and the commitments to grant loans which do not fall into 1) above and have an interest rate lower than the market rate  
After initial recognition, these financial guarantee contracts and commitments to grant loans are subsequently measured at the higher of: ① provisions for losses determined according to requirements on the impairment of financial instruments; ② balance from the initially recognised amount less accumulated amortisation determined according to the Accounting Standard for Business Enterprises No. 14 – Revenue.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)***(XI) Financial Instruments** *(Continued)***2. Recognition criteria, measurement method and derecognition conditions of financial assets and financial liabilities** *(Continued)***(3) Subsequent measurement of financial liabilities** *(Continued)***4) Financial liabilities measured at amortised cost**

These financial liabilities are measured at amortised cost using the effective interest method. Any gains or losses on financial liabilities measured at amortised cost which are not part of any hedging relationship are included in profit or loss for the current period when derecognised or amortised using the effective interest method.

**(4) Derecognition of financial assets and financial liabilities****1) Financial assets are derecognised when one of the following conditions is met:**

① the contractual right to the cash flows from such financial assets has expired;

② such financial assets have been transferred, and such transfer meets the requirements of Accounting Standard for Business Enterprise No. 23 – Transfer of Financial Assets in relation to derecognition of financial assets.

**2) A financial liability (or part of it) is derecognised accordingly where its present obligation (or part of it) is discharged.**

## Notes to the Financial Statements

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)***(XI) Financial Instruments** *(Continued)***3. Recognition and measurement of transfer of financial assets**

A financial asset is derecognised when the Company has transferred substantially all the risks and rewards associated with the ownership of a financial asset, and the rights and obligations arising from or retained in such transfer shall be separately recognised as assets or liabilities. A transferred financial asset will remain recognised if the Company retains substantially all the risks and rewards associated with the ownership of such financial asset. Where the Company has neither transferred nor retained substantially all the risks and rewards associated with the ownership of the financial asset, it may either (1) derecognise the financial asset if control of the financial asset has not been retained, and the rights and obligations arising from or retained in the transfer shall be separately recognised as assets or liabilities; (2) recognise the financial asset to the extent of its continuing involvement in the transferred financial asset and recognise associated liability accordingly if control has been retained.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the book value of the financial asset transferred on the date of derecognition; (2) the sum of the consideration received from the transferred financial asset and the amount (which involves investments in debt instruments at FVTOCI being the transferred financial assets) of the cumulative changes in fair value for the part derecognised previously directly included in other comprehensive income, is included in profit or loss for the current period. If a partial transfer of a financial asset as a whole qualifies for derecognition, the book value of the financial asset prior to such transfer is allocated between the part subject to derecognition and the part subject to recognition, in proportion to the respective fair values of those parts on the date of transfer. The difference between (1) the book value of the part derecognised; (2) the sum of the consideration of the part derecognised and the amount (which involves investments in debt instruments at FVTOCI being the transferred financial assets) of the cumulative changes in fair value for the part derecognised previously directly included in other comprehensive income, is included in profit or loss for the current period.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### (XI) Financial Instruments *(Continued)*

##### 4. *Determination of fair value of financial assets and financial liabilities*

The Company adopts valuation techniques that are appropriate under the circumstances and supported by sufficient data and other information available to determine the fair value of the relevant financial assets and financial liabilities. The Company classifies the inputs used by the valuation techniques into the following hierarchies, and applies in the following sequence:

- (1) Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities available on the date of measurement;
- (2) Level 2 inputs are direct or indirect observable inputs for the relevant asset or liability other than Level 1 inputs, including: quoted price for similar assets or liabilities in an active market; quoted price for the same or similar assets or liabilities in an inactive market; other observable inputs excluding quoted price, such as interest rates and yield curves observable at commonly quoted intervals; inputs that are evidenced in market, etc.;
- (3) Level 3 inputs are unobservable inputs for the relevant asset or liability, including interest rates, stock volatility, future cash flows from the disposal obligations assumed in a business combination, financial forecast using internal data that are not directly observable or cannot be verified by observable market data.

##### 5. *Impairment of financial instruments*

Based on the expected credit losses (ECLs), the Company impairs and recognises the loss allowance with respect to financial assets measured at amortised costs, investments in debt instruments at FVOCI, contract assets, lease receivables, loan commitments other than financial liabilities at FVTPL for the current period, financial liabilities that disqualify for those at FVTPL for the current period and financial guarantee contracts for financial liabilities arising from the transfer of financial assets that do not qualify for the derecognition criteria or continue to be involved in the financial assets being transferred.

The expected credit losses are the weighted average credit losses of financial instruments with probability of default as the weight. Credit loss refers to the difference between all contractual cash flows discounted according to the original effective interest rate and receivable according to the contract and all cash flows that the Company expects to receive, that is, the present value of all cash shortages. For purchased or originated credit-impaired financial assets, the ECLs are discounted at the credit-adjusted effective interest rate of such financial assets.

For purchased or originated credit-impaired financial assets, the Company only recognises the cumulative change in lifetime ECLs after initial recognition on the balance sheet date as loss provision.

## Notes to the Financial Statements

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)***(XI) Financial Instruments** *(Continued)***5. Impairment of financial instruments** *(Continued)*

For lease receivables, receivables and contract assets arising from transactions regulated by the Accounting Standard for Business Enterprises No. 14 – Revenue, the Company measures loss provision based on the amount of lifetime ECLs by using a simplified measurement method.

In addition to financial assets in respect of which the aforesaid measurement approaches are adopted, the Company assesses whether there has been a significant increase in its credit risk since initial recognition on each balance sheet date. If there has been a significant increase in the credit risk since initial recognition, the loss provision is measured at the amount of lifetime ECLs; if there has not been a significant increase in the credit risk since initial recognition, the loss provision is measured at the amount of 12-month expected credit loss of the financial instrument.

To assess whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument on the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition through reasonable and supportable information available, including forward-looking information.

The Company assumes that there has not been a significant increase in the credit risk since initial recognition, if a financial instrument is determined to have a low credit risk on the balance sheet date.

The Company assesses expected credit risk and measures expected credit loss on either an individual basis or a collective basis for financial instruments. When the assessment is performed on a collective basis, the financial instruments are classified into various groups by the Company based on shared risk characteristics.

Expected credit losses are remeasured by the Company on each balance sheet date, and any increase or reversal of loss provision arising therefrom is included in profit or loss for the current period as impairment losses or gains. For a financial asset measured at amortised costs, the loss provision reduces the book value of the financial asset as shown in the balance sheet; for a debt instrument investment at fair value through other comprehensive income, the loss provision is recognised in other comprehensive income without reducing the book value of the financial asset.

**6. Offset of financial assets and financial liabilities**

Financial assets and financial liabilities are presented separately in the balance sheet, and are not offset. However, if the following conditions are met, the net amount offset by each other is presented in the balance sheet: (1) the Company has a statutory right to offset the recognised amount, and such legal right is currently enforceable; (2) the Company plans to settle in net amount or to realise the financial assets and settle the financial liabilities at the same time.

For transferred financial assets not qualify for derecognition, the Company will not offset the transferred financial assets against related liabilities.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### (XII) Recognition Standards and Provision Methods for Expected Credit Losses on Receivables and Contract Assets

##### 1. *Receivables and contract assets with expected credit losses provided based on credit risk characteristic group*

Group categories	Grouping basis	Expected credit loss measurement approach
Bank acceptance notes receivable Finance company acceptance notes receivable	Type of notes	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the default risk exposure and lifetime expected credit loss rate
Trade acceptance notes receivable Accounts receivable – grouped by payment Accounts receivable – grouped by retention monies	Ageing	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the comparison table prepared for receivables ageing and expected credit loss rate
Contract assets – grouped by retention monies Accounts receivable – group of related parties within the scope of combination	Retention monies Related parties within the scope of combination	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the default risk exposure and lifetime expected credit loss rate
Other receivables – group of security deposits receivable Other receivables – group of imprest receivable Other receivables – group of prepayments receivable Other receivables – group of current accounts Other receivables – other groups Other receivables – group of related parties within the scope of combination	Nature of amounts	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the default risk exposure and 12-month or lifetime expected credit loss rate

## Notes to the Financial Statements

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)***(XII) Recognition Standards and Provision Methods for Expected Credit Losses on Receivables and Contract Assets** *(Continued)*2. *Table of comparison of ageing and expected credit loss rate of ageing groups*

Ageing	Expected credit loss rate of trade acceptance notes receivable (%)	Expected credit loss rate of accounts receivable – grouped by payment (%)	Expected credit loss rate of accounts receivable – grouped by retention monies (%)
Within 1 year (inclusive, same below)	2.00	2.00	15.00
1 to 2 years	10.00	10.00	15.00
2 to 3 years	30.00	30.00	30.00
3 to 4 years	50.00	50.00	50.00
4 to 5 years	80.00	80.00	80.00
Over 5 years	100.00	100.00	100.00

The ageing calculation of accounts receivable – grouped by retention monies starts at the expiry of the retention monies, while the ageing calculation of trade acceptance notes receivable and accounts receivable – grouped by payment starts on the day when revenue is recognised and accounts receivable – payment occurs.

3. *Recognition standards for receivables and contract assets with expected credit losses provided on an individual basis*

For receivables and contract assets with significant difference between credit risk and grouping credit risk, the provision for expected credit losses is made on an individual basis.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### (XIII) Inventories

1. *Categories of inventories*

Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, and materials and supplies etc. to be consumed in the production process or in the rendering of services.

2. *Accounting method for dispatching inventories*

Dispatched inventories are accounted for with the moving weighted average method.

3. *Inventory system*

Perpetual inventory method is adopted.

4. *Amortisation method of low-value consumables and packages*

(1) Low-value consumables

Low-value consumables are amortised in full when received for use.

(2) Packages

Packages are amortised in full when received for use.

5. *Provision for impairment of inventories*

(1) Recognition standards and provision methods on provision for impairment of inventories

On the balance sheet date, inventories are measured at the lower of cost and net realisable value; provisions for inventory write-down are made on the excess of its cost over the net realisable value. The net realisable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realisable value of materials to be processed is determined based on the amount of the estimated selling price of the finished goods produced less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; on the balance sheet date, when only part of the same item of inventories has agreed price, their net realisable value is determined separately and is compared with their costs to determine the provision for inventory write-down to be made or reversed.

## Notes to the Financial Statements

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)***(XIV) Long-term Equity Investments****1. Judgement on joint control and significant effects**

Joint control is recognised as control held for a certain arrangement under the relevant agreement, the relevant activity of which should be unanimously agreed by the parties sharing the control. The influence is deemed as significant if there involves the power of participating in decision making on the financial and operational policies of the investee, but the power cannot control or jointly control with other parties the formulation of the policies.

**2. Determination of investment cost**

- (1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the book value of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial investment cost of the long-term equity investment and the book value of the combination consideration paid or the aggregate nominal amount of Shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When long-term equity investments are obtained through business combination under common control achieved in stages, the Company determines whether it is a “package deal”. If it is a “package deal”, transactions as a whole are treated as one transaction obtaining the right of control in accounting treatment. If it is not a “package deal”, on the combination date, investment cost is initially recognised at the share of the book value of net assets of the combined party included in the consolidated financial statements of the ultimate controlling party after the combination. The difference between the combination-date initial investment cost of long-term equity investments and the book value of the previously held long-term equity investments plus the book value of the consideration paid for the newly acquired Shares on the combination date is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### (XIV) Long-term Equity Investments *(Continued)*

##### 2. *Determination of investment cost (Continued)*

- (2) For business combination not under common control, investment cost is initially recognised at the acquisition-date fair value of combination considerations paid.

When long-term equity investments are obtained through business combination not under common control achieved in stages through various transactions, the Company determines whether they are separate financial statements or consolidated financial statements in accounting treatment:

- 1) In separate financial statements, initial investment cost is accounted for using the cost method recognised at the book value of the previously held equity investments plus the newly increased investment cost.
- 2) In consolidated financial statements, the Company determines whether it is a “package deal”. If it is a “package deal”, transactions as a whole are treated as one transaction obtaining the right of control in accounting treatment. If it is not a “package deal”, the book value of the acquirer’s previously held equity interest in the acquiree is remeasured at the acquisition-date fair value, and the difference between the fair value and the book value is recognised in investment income for the current period; when the acquirer’s previously held equity interest in the acquiree involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or net assets from remeasurement of defined benefit plan of the acquiree.
- (3) Long-term equity investment obtained through ways other than business combination: the initial investment cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to Accounting Standards for Business Enterprises No. 12 – Debt Restructuring; and that obtained through non-cash assets exchange is determined according to Accounting Standards for Business Enterprises No. 7 – Non-cash Assets Exchange.

##### 3. *Subsequent measurement and recognition in profit or loss*

When the Company controls the investee, a long-term equity investment is accounted for using the cost method. The equity method is applied to long-term equity investment in associates and joint ventures.

## Notes to the Financial Statements

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)***(XIV) Long-term Equity Investments** *(Continued)***4. Accounting treatment of disposal of investment in a subsidiary to loss of control in stages through various transactions****(1) Determination basis of “package deal”**

For the disposal of equity investment in a subsidiary to loss of control in stages through various transactions, the Company determines whether the step transactions are “package deal” according to clauses of trade agreements of each step transaction, the disposal consideration acquired at each transaction, the object for disposal of the equity, the disposal method and the disposal time. If the clauses, conditions and economic influence of each transaction meet one or more of the following conditions, it usually represents the step transactions shall be “package deal”:

- 1) The transactions are entered into at the same time or after considering the influence for each other;
- 2) The transactions can achieve a complete business result only when they are entered into as a whole;
- 3) The occurrence of one transaction depends on the occurrence of at least one of the other transactions;
- 4) A transaction is not economically viable individually, but it is economically viable when considering with other transactions.

**(2) Accounting treatment for non-“package deal”****1) Separate financial statements**

For equity interests disposed of, the difference between the book value and the actual consideration obtained is recognised as current profit or loss. For the remaining equity interests, those which are still entitled to a significant influence on the investee or perform joint control with other parties are accounted for using equity method, while those which do not control, jointly control or have a significant influence on the investee are accounted for pursuant to the relevant regulations of Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.

**2) Consolidated financial statements**

Prior to the loss of control, the capital reserve (capital premium) is adjusted with the difference between the consideration of the disposal and the entitled share of the net assets of the subsidiary that would have been entitled to by the disposed long – term equity investment and continuously accounted for from the acquisition date or combination date. If the balance of the capital premium is insufficient to offset, any excess is adjusted to the retained earnings.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### (XIV) Long-term Equity Investments *(Continued)*

#### 4. Accounting treatment of disposal of investment in a subsidiary to loss of control in stages through various transactions *(Continued)*

##### (2) Accounting treatment for non-“package deal” *(Continued)*

##### 2) Consolidated financial statements *(Continued)*

When the control over the former subsidiary is lost, the remaining equity interests are remeasured at fair value at the date when the control is lost. The sum of the consideration obtained from disposal and the fair value of the remaining equity interests less the share of the net assets of the former subsidiary that would have been entitled to and continuously accounted for according to the original shareholding percentage from the acquisition date or combination date is recognised as investment income for the period covering the date of loss of control, offsetting the goodwill at the same time. Other comprehensive income related to the equity investment in the former subsidiary shall be transferred to the investment income for the period covering the date of loss of control.

##### (3) Accounting treatment for “package deal”

##### 1) Separate financial statements

The transactions as a whole are treated as one single transaction of disposal of a subsidiary and loss of control in accounting treatment. However, prior to the loss of control, the difference between each of the consideration of disposal and the book value of the long-term equity investments corresponding to the disposed investment is recognised as other comprehensive income in separate financial statements and transferred to profit or loss for the period when the control is lost.

##### 2) Consolidated financial statements

The transactions as a whole are treated as one single transaction of disposal of a subsidiary and loss of control in accounting treatment. However, prior to the loss of control, the difference between each of the consideration of disposal and the share of net assets of that subsidiary that would have been entitled to by the disposed investment is recognised as other comprehensive income in the consolidated financial statements and transferred to profit or loss for the period when the control is lost.

## Notes to the Financial Statements

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)***(XV) Fixed Assets****1. Recognition criteria of fixed assets**

Fixed assets represent the tangible assets held for production or supply of goods or services, rental or for administrative purposes with useful lives over one accounting year, and are recognised when the inflow of economic benefits is probable and the cost can be reliably measured.

**2. Depreciation method of each category of fixed assets**

Categories	Depreciation method	Depreciation term (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	10-20	5.00	4.75-9.50
Transportation tools	Straight-line method	5	5.00	19.00
Machinery and equipment	Straight-line method	5-10	5.00	9.50-19.00
Electronics equipment	Straight-line method	3-5	5.00	19.00-31.67
Other equipment	Straight-line method	3-5	5.00	19.00-31.67

**(XVI) Construction in Progress**

- Construction in progress is recognised when the inflow of economic benefits is probable and the cost can be reliably measured, and is measured at the actual cost incurred until it is ready for intended use.
- Construction in progress is transferred to fixed assets when it is ready for its intended use based on the actual cost. For a completed project ready for intended use but with final account unsettled, the asset is transferred to fixed assets based on estimated value. After final account of the project has been settled, the Company shall make adjustment to the previous estimated value based on actual cost, but need not to adjust the depreciation retrospectively.

Categories	Standards and timings for transferring construction in progress to fixed assets
Buildings and structures	Certification of completion of works is obtained or standards of operation are met after the completion of construction
Machinery and equipment	Design requirements or contractual standards are met after installation and commissioning

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### (XVII) Borrowing Costs

##### 1. *Recognition principles on capitalisation of borrowing costs*

The Company's borrowing costs that are directly attributable to the acquisition, construction or production of an asset eligible for capitalisation shall be capitalised in the cost of relevant assets. Other borrowing costs are recognised as expenses in current profit or loss when incurred.

##### 2. *Capitalisation period of borrowing costs*

(1) Borrowing costs shall be capitalised when: 1) capital expenditures have been incurred; 2) borrowing costs have been incurred; 3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Capitalisation of borrowing costs should be suspended during a period in which abnormal interruption has lasted for more than three months during the process of acquisition, construction or production of assets eligible for capitalisation. The borrowing cost incurred during interruption is recognised as current expenses until the acquisition, construction or production activities resume.

(3) The capitalisation of borrowing costs ceases when the assets acquired, constructed or produced and qualified for capitalisation are ready for their intended use or sale.

##### 3. *Capitalisation rate and amount of borrowing costs*

For specific borrowings used to acquire, construct or produce assets eligible for capitalisation, the amount of interest costs (including amortisation of discount or premium determined using the effective interest method) actually incurred on such borrowings for the period shall be capitalised after deducting any interest earned from depositing the unused borrowings in bank or any investment income arising from the temporary investment of those borrowings during the capitalisation period. For general borrowings used to acquire, construct or produce assets eligible for capitalisation, the capitalised amount of interests on general borrowings shall be determined on the basis that the weighted average assets expenditures (of the excess of cumulative assets expenditures over the specific borrowings) times capitalisation rate (of used general borrowings).

## Notes to the Financial Statements

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)***(XVIII) Intangible Assets**

1. Intangible assets, including land use rights, software, are initially measured at cost.
2. Intangible assets with definite useful lives are reasonably and systematically amortised over their useful lives based on the pattern of the economic benefits relating to the intangible assets that are expected to be realised. Intangible assets whose economic benefits realisation pattern cannot be reliably anticipated are amortised on a straight-line basis. Details are set out below:

Items	Useful lives and its basis of determination	Amortisation method
Land use rights	50 years, according to the land use years	Straight-line basis
Software use rights	5 years, based on the expected economic benefit life	Straight-line basis

3. ***Consolidation scope of expenditure for research and development (R&D)*****(1) Staff labour costs**

Staff labour costs include wages and salaries, basic pension insurance premium, basic medical insurance premium, unemployment insurance premium, work injury insurance premium, maternity insurance premium and housing provident funds of the Company's research and development staff, as well as labour costs of external R&D staff.

Labour costs for R&D staff concurrently serving multiple R&D projects are recognised based on the work hour records of the R&D staff for each R&D project provided by the Company's management department, and are allocated in proportion among the different R&D projects.

For staff directly engaged in R&D activities and external R&D staff concurrently engaged in non-R&D activities, the Company allocates the actual staff labour costs incurred based on the work hour records of the R&D staff at different posts between the R&D costs and the production and operating costs according to rational methods, such as the proportion of the actual work hours.

**(2) Direct investment expenses**

Direct investment expenses are the actual relevant expenditures incurred for the implementation of the Company's R&D activities. Such expenses include: 1) the cost of materials, fuel and power directly consumed; 2) development and manufacturing expenses of molds and technical equipment for intermediate test and product trial production, the acquisition costs of samples, prototypes and general testing methods which do not constitute fixed assets, and the inspection costs of trial products; 3) the costs for the operation and maintenance, adjustment, inspection, testing and repairs of instruments and equipment used in R&D activities.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### (XVIII) Intangible Assets *(Continued)*

##### 3. Consolidation scope of expenditure for research and development (R&D) *(Continued)*

###### (3) Depreciation expenses

Depreciation expenses are charges for the depreciation of instruments, equipment and buildings in use for R&D activities.

For instruments, equipment and buildings in use for R&D activities and at the same time for non-R&D activities, necessary records shall be kept on the use of such instruments, equipment and buildings in use, and the actual depreciation expenses incurred are allocated between R&D costs and production and operating costs by adopting rational methods based on factors such as the actual work hours and the usable area.

###### (4) Other expenses

Other expenses are those directly related to R&D activities except for the above-mentioned expenses, including technical books and materials costs, translation expenses on materials, expert consulting fees, insurance premium for high-tech R&D, expenses on search, demonstration, evaluation, identification and acceptance for R&D results, application, registration and agency fees for intellectual property rights, conference fees, travel expenses, communication expenses, etc.

4. Expenditures for internal R&D projects during the development stage are included in current profit or loss as incurred. The expenses of internal R&D projects during the development stage are recognised as intangible assets when all of the following conditions are satisfied: (1) the completion of such intangible assets for use or sale is technically feasible; (2) the Company has the intention to use or sell the intangible assets upon completion; (3) the way in which the intangible assets bring economic benefits shows that there is consumption market for the products produced with use of these intangible assets or the intangible assets themselves, or that they are useful in case of internal utilisation; (4) the Company has sufficient technological, financial and other resources to complete the development of the intangible assets and the ability to make them available for use or sale; (5) the expenses attributable to such intangible assets can be measured reliably at the development stage.

#### (XIX) Partial Long-term Asset Impairment

For long-term assets such as long-term equity investment, fixed assets, construction in progress, right-of-use assets and intangible assets with definite useful lives, when there is evidence at the balance sheet date showing that the assets are impaired, the recoverable amounts are estimated. For goodwill arising from business combination and intangible assets with uncertain useful life, whether there is an evidence of impairment or not, impairment test is conducted annually. Impairment test is performed on goodwill together with its relevant asset group or asset group portfolio.

If the recoverable amounts of the above-mentioned long-term assets are lower than their book values, the differences are recognised as provision for asset impairment and recorded in current profit or loss.

#### (XX) Long-term Deferred Expenses

Long-term deferred expenses are expenses that have been recognised with amortisation period over one year (excluding one year). Long-term deferred expenses are recognised as incurred, and evenly amortised within its beneficial period or stipulated period. If items of long-term deferred expenses fail to be beneficial to the subsequent accounting periods, the residual values of such items are included in current profit or loss.

## Notes to the Financial Statements

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)*  
**(XXI) Employee Remuneration**

1. *Employee remuneration includes short-term remuneration, post-employment benefits, termination benefits and other long-term employee benefits.*
2. *Accounting treatment of short-term remuneration*  
During the accounting period when the staff provides service, the Company will recognise the short-term remuneration incurred as liabilities, and the liabilities would be included in current profit or loss or the relevant costs of assets.
3. *Accounting treatment of post-employment benefits*  
The Company classifies post-employment benefit plans as either defined contribution plan or defined benefit plan.
  - (1) During the accounting period when the staff provides service, the Company will recognise the amount payable calculated under defined contribution plan as liabilities, and the liabilities would be included in current profit or loss or the relevant costs of assets.
  - (2) Accounting treatment of defined benefit plan normally comprises steps as follow:
    - 1) According to the projected unit credit method, the Company adopts unbiased and mutually agreed actuarial assumptions to estimate the relevant demographic variables and financial variables, calculate the obligations arising from the defined benefit plan and determine the period that relevant obligations belong to. Meanwhile, the obligation arising from the defined benefit plan is discounted to determine the present value of such obligation under the defined benefit plan and the service cost for the current period;
    - 2) Where there are assets in the defined benefit plan, the deficit or surplus from the present value of the obligations under the defined benefit plan less the fair value of the assets of the defined benefit plan is recognised as a net liability or asset of a defined benefit plan. Where there are surplus in the defined benefit plan, the lower of the surplus of the defined benefit plan and the upper limit of the assets will be used to calculate the net assets of the defined benefit plan;
    - 3) At the end of the period, the cost of employee remuneration from the defined benefit plan will be recognised as three parts, such as the service cost, the net interest on the net liabilities or net assets from the defined benefit plan and the changes arising from the remeasurement of the net liabilities or net assets from the defined benefit plan. Of these, the service cost and the net interest on the net liabilities or net assets from the defined benefit plan will be recognised in current profit or loss or relevant assets cost. The changes arising from the remeasurement of the net liabilities or net assets from the defined benefit plan will be recognised in other comprehensive income and shall not be reversed to profit or loss in subsequent accounting periods, but the amounts recognised in other comprehensive income can be transferred within the scope of interests.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### (XXI) Employee Remuneration *(Continued)*

##### 4. *Accounting treatment of termination benefits*

When providing termination benefits to employees, the employee remuneration liabilities arising from the termination benefits will be recognised in current profit or loss at the earlier of: (1) when the Company cannot unilaterally withdraw the termination benefits offered for the release of the labour relationship plan or a redundancy proposal; (2) when the Company recognised relevant costs or expenses associated with the reorganisation involving the payment of the termination benefits.

##### 5. *Accounting treatment of other long-term employees' benefits*

Other long-term benefits provided by the Company to employees that satisfy the conditions of defined contribution plan will apply accounting treatment according to the relevant provisions of the defined contribution plans. Other long-term benefits other than this will conduct accounting treatment according to the defined benefit plan. In order to simplify the relevant accounting treatment, the staff remuneration incurred is recognised as service cost and the total net amount of the components such as net interest on the net liabilities or net assets from other long-term employees' benefits and changes arising from the remeasurement of the net liabilities or net assets from other long-term employees' benefits is included in current profit or loss or the relevant costs of assets.

## Notes to the Financial Statements

2025

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)*  
**(XXII) Revenue****1. Principles on recognition of revenue**

At contract inception, the Company assesses the contract to identify each individual performance obligation thereunder and to determine whether each individual performance obligation is satisfied over time or at a point in time.

If one of the following criteria is met, the Company satisfies a performance obligation over time, otherwise the performance obligation is satisfied at a point in time: (1) the customer simultaneously receives and consumes the economic benefits provided by the Company's performance as the Company performs; (2) the Company's performance creates goods that the customer controls; (3) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date during the term of the contract.

For a performance obligation satisfied over time, the Company shall recognise revenue over time by measuring the progress towards complete satisfaction of that performance obligation. If the Company is unable to reasonably measure its progress towards complete satisfaction of a performance obligation and expects to recover the costs incurred, the Company shall recognise revenue only to the extent of the costs incurred until such time that it can reasonably measure progress towards complete satisfaction of the performance obligation. For a performance obligation satisfied at a point in time, the Company shall recognise revenue when the customer obtains control of relevant goods or services. To determine whether the customer obtains control of goods, the Company shall consider the following indicators: (1) the Company has a present right to receive the payment for the goods, i.e. the customer has a present obligation to pay for the goods; (2) the Company has transferred the legal title of the goods to the customer, i.e. the customer has the legal title of the goods; (3) the Company has transferred physical possession of the goods to the customer, i.e. the customer has physical possession of the goods; (4) the Company has transferred significant risks and rewards of ownership of the goods to the customer, i.e. the customer has the significant risks and rewards of ownership of the goods; (5) the customer has accepted the goods; (6) other indications that the customer has obtained control of the goods.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### (XXII) Revenue *(Continued)*

##### 2. Principles on the measurement of revenue

- (1) The Company measures revenue through allocating the transaction price to each individual performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to the customer.
- (2) If the consideration promised in a contract includes a variable amount, the Company shall determine the best estimate of the variable consideration by using either of the expected value or the most likely amount, provided that the transaction price including the variable consideration does not exceed the amount for which the accumulative recognised income is unlikely to undergo a major reversal when the relevant uncertainty is eliminated.
- (3) Where there is a significant financing component in the contract, the Company determines the transaction price based on the amount payable in cash when it is assumed that the customer has taken the control of goods or services. The difference between the transaction price and the contract consideration is amortised using the effective interest method during the contract period. On the contract start date, the Company does not consider the major financing components in the contract when it expects that the interval between customer taking the control of goods or services and the payment of the customer price is not more than one year.
- (4) Where the contract includes two or more performance obligations, the Company shall amortise the transaction price to each individual performance obligation on the contract start date in line with the relative proportion of the individual selling prices of the goods promised.

##### 3. Specific methods for revenue recognition

The Company mainly sells products such as railway fasteners, welding material and railway sleepers and etc., and fulfills its performance obligations at a certain point of time. The recognition of the revenue from the domestic sales of products should meet the following conditions: the Company has transported the goods to the project sites or customer unit based on contract and the project construction unit or customer unit has signed for receipt, the payment has been recovered or the receipt certificate has been obtained; the relevant economic benefits are likely to flow in; the significant risks and rewards of ownership of goods have been transferred and the customer has obtained control over the goods. The recognition of the revenue of the exported products should meet the following conditions: the Company has declared the products according to the contract and obtained the bill of lading, has recovered the payment or obtained the receipt certificate and the relevant economic benefits are likely to flow in; the significant risks and rewards of ownership of goods have been transferred and the customer has obtained control over the goods.

## Notes to the Financial Statements

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)***(XXIII) Costs of Obtaining a Contract and Costs to Fulfil a Contract**

Incremental costs incurred by the Company to obtain a contract which are expected to be recovered are treated as costs of obtaining a contract and recognised as an asset. Costs of obtaining a contract which are amortised over a period of not more than one year are directly recorded in current profit or loss as incurred.

Costs incurred by the Company to perform a contract which are excluded from the scope of standards on inventories, fixed assets, intangible assets or otherwise but meet the following conditions are treated as costs to fulfil a contract and recognised as an asset:

1. Such costs are directly related to a contract currently or expected to be acquired, including direct labour costs, direct material costs, manufacturing costs (or similar costs), costs to be borne by customers as agreed, and other costs solely as a result of such contract;
2. Such costs help increase resources for the Company to perform obligations in the future;
3. Such costs are expected to be recovered.

Assets related to contract costs are amortised on a basis similar to that for recognising revenue from goods or services related to such assets, and are recorded in current profit or loss.

If the book value of assets related to contract costs exceeds the remaining consideration expected to be obtained due to the transfer of goods or services related to the assets less estimated costs to be incurred, a provision for impairment is made for the excess, which is recognised as impairment losses on assets. If the remaining consideration expected to be obtained due to the transfer of goods or services related to the assets less estimated costs to be incurred exceeds the book value of assets as a result of subsequent changes in impairment conditions existing in prior periods, the provision previously made for impairment of the assets is reversed and recorded in current profit or loss, provided that the book value of the assets after the reversal is not more than the book value of the assets which would have been recorded at the date of reversal if the provision for impairment had not been made.

**(XXIV) Contract Assets and Contract Liabilities**

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The Company presents the net amount after offsetting the contract assets against the contract liabilities under the same contract.

The Company's unconditional (i.e., depending only on the passage of time) right to collect consideration from customers is presented as receivables, whereas the right to collect consideration from customers who have received the goods transferred (which depends on factors other than the passage of time) is presented as contract assets.

Contract liabilities are presented for the obligation of transferring goods to customers when an amount of consideration has been received or is receivable by the Company.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### (XXV) Government Grants

1. Government grants are recognised when (1) the Company is able to comply with the conditions attached to the government grants; (2) the Company is able to receive the government grants. Government grants which are monetary assets shall be measured at the amount received or receivable. Government grants which are non-monetary assets shall be measured at fair value, or at nominal amount if the fair value cannot be reliably measured.
2. ***Judgment basis and accounting treatment on the government grants relating to assets***  
Government grants which shall be used for constructing or otherwise forming long-term assets as specified in government documents are classified as government grants related to assets. In the absence of specific requirements in government documents, the determination is made according to basic conditions for obtaining the grants; if constructing or otherwise forming long-term assets is treated as a basic condition, the grants are classified as government grants related to assets. Government grants relating to assets are offset against the book value of such assets or recognised as deferred income. Government grants relating to assets recognised as deferred income are included in profit or loss on a reasonable and systematic basis over the useful lives of the relevant assets. Government grants measured at notional amount are directly recorded in current profit or loss. For assets sold, transferred, disposed or damaged prior to the end of their useful lives, balance of unallocated deferred income is transferred to profit or loss for the period in which the disposal occurred.
3. ***Judgment basis and accounting treatment on the government grants relating to revenue***  
Other than government grants pertinent to assets, other government grants are government grants pertinent to income. The Company classifies government grants that contain both assets-related and income-related portion or those that are difficult to distinguish as the ones related to income on an entire basis. Government grants relating to income and applied towards reimbursement of related costs or losses in subsequent periods are recognised as deferred income and included in current profit or loss or offset against the related costs for the period in which the related costs or losses are recognised. Government grants, applied towards reimbursement of related costs or losses already incurred, are directly recognised in current profit or loss or offset against the related costs.
4. Government grants related to the Company's daily operations are included in other income or offset against relevant expenses according to the economic nature of business. Government grants that are not related to the Company's daily operations are included in the non-operating income or expenses.

## Notes to the Financial Statements

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)***(XXV) Government Grants** *(Continued)***5. Accounting treatment of interest subsidies for policy-related preferential loans**

- (1) For interest subsidies appropriated by government to a loan bank which will provide loans to the Company at a policy-related preferential rate, the actual amount of the borrowings received is recorded as the book value and the relevant borrowing costs are calculated according to the principal of the borrowings and the policy-related preferential interest rate.
- (2) For interest subsidies directly appropriated by government to the Company, the interest subsidies shall be used to offset against relevant borrowing costs.

**(XXVI) Deferred Income Tax Assets and Deferred Income Tax Liabilities**

1. Deferred income tax assets or deferred income tax liabilities are recognised based on the difference between the book values of the assets or liabilities and their tax bases (for an item not recognised as asset and liability but for which tax base can be determined under tax laws, the difference between its tax base and its book value), and are calculated by applying the tax rates applicable to the period in which the assets are expected to be recovered or the liabilities are expected to be settled.
2. Deferred income tax assets are recognised for deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. At the balance sheet date, deferred income tax assets unrecognised in previous accounting periods are recognised to the extent that there is obvious evidence that it has become probable that sufficient taxable profit will be available in subsequent periods against which the deductible temporary differences can be utilised.
3. The book value of deferred income tax assets is reviewed at the balance sheet date and written down to the extent that it is no longer probable that sufficient taxable profit will be available in future periods against which the deferred income tax assets can be utilised. Such amount is written back to the extent that it has become probable that sufficient taxable profit will be available.
4. The Company's current and deferred income taxes are recognised in current profit or loss as income tax expense or profit, excluding income tax arising from: (1) business combination; (2) transactions or items directly recognised in owners' equity.
5. When all of the following conditions are satisfied, the deferred income tax assets and deferred income tax liabilities are presented in the net amount after offsetting: (1) 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 are related to the income tax levied on the same taxable entity by the same taxation authority or related to different taxable entities, but during the future period when each of the significant deferred income tax assets and deferred income tax liabilities is reversed, the subject taxable entity intends to settle the current income tax assets and current income tax liabilities on a net basis, or simultaneously obtain the assets and settle the debts.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)* (XXVII) Lease

#### 1. *The Company as a lessee*

On the commencement date of the lease term, the Company recognises a lease which has a term of 12 months or less and does not include any purchase options as a short-term lease; the Company recognises a separate leased asset which is of a low value when it is new as a lease of low-value assets. If the Company subleases or expects to sublease the leased assets, the original lease is not recognised as a lease of low-value assets.

For all short-term leases and leases of low-value assets, the Company accounts the lease payments into the relevant asset costs or the current profit or loss using the straight-line method in each period of the lease term.

In addition to the above-mentioned accounting treatment for short-term leases and leases of low-value assets using simplified approach, the Company recognises the right-of-use assets and lease liabilities for the lease at the beginning of the lease term.

#### (1) Right-of-use assets

The right-of-use assets shall be initially measured at costs. Such costs include: 1) the initial amount of measurement of the lease liabilities; 2) the lease payment paid on or before the commencement date of the lease term (if there is a lease incentive, the amount of the lease incentive that has been received shall be deducted); 3) initial direct costs incurred by the lessee; 4) the cost that the lessee expects to occur for dismantling and removing the leased assets, restoring the site where the leased assets are located, or restoring the leased assets to the agreed status under the terms of the lease terms.

The Company shall make a provision for depreciation on the right-of-use assets using the straight-line method. If it is reasonable to determine that the ownership of the leased assets can be obtained at the expiration of the lease term, the Company shall make a provision for depreciation within the remaining useful life of the leased asset. If it is not reasonable to determine that the ownership of the leased asset can be obtained at the expiration of the lease term, the Company shall make a provision for depreciation at the shorter of the lease term and the remaining useful life of the leased asset.

#### (2) Lease liabilities

On the commencement date of the lease term, the Company recognises the present value of the unpaid lease payments as lease liabilities. When calculating the present value of lease payments, the implied interest rate of lease is used as the discount rate. If the implied interest rate of lease cannot be determined, the incremental borrowing rate of the Company is used as the discount rate. The difference between the lease payments and its present value is regarded as the unrecognised financing expense. During each period of the lease term, interest expense is measured at the discount rate for determining the present value of the lease payments, and is included in the current profit or loss. The variable lease payments not included in the measurement of lease liabilities are included in the current profit or loss when they actually occur.

## Notes to the Financial Statements

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)***(XXVII) Lease** *(Continued)***1. The Company as a lessee** *(Continued)***(2) Lease liabilities** *(Continued)*

After the commencement date of the lease term, when there is a change in the actual fixed payments, the estimated payable amount of the guarantee residual value, the index or ratio used to determine the lease payments, the evaluation result or the actual exercise situation of the purchase option, the renewal option or the termination option, the Company remeasures the lease liabilities according to the present value of the changed lease payments and adjusts the book value of the right-of-use asset accordingly. If the book value of the right-of-use asset has been reduced to zero but the lease liability still needs to be further reduced, the Company accounts for the remaining amount in the current profit or loss.

**(XXVIII) Other Significant Accounting Policies and Accounting Estimates*****Accounting treatment in relation to the repurchase of the Company's Shares***

When the Company repurchases its own Shares for reasons such as registered capital reduction or rewards for employees, the repurchased Shares are treated as treasury stock at the actual amount paid, and a record for reference is maintained. If the repurchased Shares are cancelled, the difference between the total par value of the Shares (calculated based on the par value and the number of cancelled Shares) and the actual amount paid for the repurchase is adjusted to capital reserve. If the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings. If the repurchased Shares are awarded to employees of the Company as part of an equity-settled share-based payment, upon the exercise of rights by employees to purchase the Company's Shares and receipt of the proceeds, the cost of the treasury stock delivered and the cumulative amount of the capital reserve (other capital reserve) accrued during the vesting period are derecognised, and at the same time, the difference is adjusted to capital reserve (share premium).

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### (XXIX) Significant Accounting Judgments and Estimates

The preparation of the financial statements requires the Company to make estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Key assumptions of the estimates and judgments of uncertain factors are reviewed on an ongoing basis by the Company. The effects of revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods.

Key sources of estimation uncertainty are as follows:

1. *Recognition of deferred income tax assets*

As stated in Note III(XXVI) to these financial statements, deferred income tax assets are recognised on the basis of the deductible temporary differences between the book values of the assets and liabilities and their tax bases (for an item not recognised as asset and liability but for which tax base can be determined under tax laws, the difference between its tax base and its book value), and are calculated by applying the tax rates applicable to the period in which the assets are expected to be recovered or the liabilities are expected to be settled. Deferred income tax assets are recognised for deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

2. *Impairment of financial instruments and contract assets*

As stated in Notes III(XI) and (XII) to these financial statements, based on expected credit losses, the Company accounts for the impairment of, and recognises provisions for losses on, financial assets measured at amortised cost (notes receivable, accounts receivable, other receivables), debt instrument investments at fair value through other comprehensive income (financing of receivables) and contract assets.

## Notes to the Financial Statements

2025

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)***(XXIX) Significant Accounting Judgments and Estimates** *(Continued)***3. Provision for impairment of inventories**

As stated in Note III(XIII) to these financial statements, at the balance sheet date, the Company's inventories are measured at the lower of cost and net realisable value; provisions for inventory write-down are made on the excess of its cost over the net realisable value. The net realisable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realisable value of materials to be processed is determined based on the amount of the estimated selling price of the finished goods produced less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realisable value is determined separately and is compared with their costs to determine the provision for inventory write-down to be made or reversed.

**4. Impairment of long-term assets**

As stated in Note III(XIX) to these financial statements, for long-term assets such as long-term equity investment, fixed assets, construction in progress, right-of-use assets and intangible assets with definite useful lives, when there is evidence at the balance sheet date showing that the assets are impaired, the recoverable amounts are estimated. For goodwill arising from business combination and intangible assets with uncertain useful life, whether there is an evidence of impairment or not, impairment test is conducted annually. Impairment test is performed on goodwill together with its relevant asset group or asset group portfolio. If the result of recoverable amount measurement indicates that the recoverable amount of such long-term assets is less than their book value, the book value of the assets will be reduced to their recoverable amount. That reduction is recognised as an impairment loss of assets and charged to profit or loss for the current period. A provision for impairment of the assets is recognised accordingly.

## Notes to the Financial Statements

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**IV. TAXATION****(I) Major Taxes and Tax Rates**

Types of tax	Bases of taxation	Tax rates
Value added tax	Value added tax payable is calculated by calculating the output tax based on revenue from sales of goods or rendering of taxable services in accordance with tax law, net of input tax that is allowed to be deducted for the current period	13%, 9%, 6%
Property tax	For ad valorem taxes, the tax is calculated based on 1.2% of the residual value of the original value of property after a deduction of 30%	1.2%
Urban maintenance and construction tax	Turnover tax actually paid	5%, 7%
Education surcharge	Turnover tax actually paid	3%
Local education surcharge	Turnover tax actually paid	2%
Corporate income tax	Taxable income	15%, 16.50%, 20%, 25%

*Description of income tax rates applicable to taxable entities with different tax rates*

Name of taxable entities	Income tax rates
The Company, Xingtai Juneng Railway Electrical Equipment Co., Ltd.* (邢台炬能鐵路電氣器材有限公司) (hereinafter referred to as Xingtai Juneng)	15%
Yichen Industrial (Hong Kong) Trading Co., Limited (hereinafter referred to as Yichen Hong Kong Trading)	16.50%
Shijiazhuang City Gaocheng District Yichen Corporate Management Services Co., Ltd.* (石家莊市藁城區翼辰企業管理服務有限公司) (hereinafter referred to as Yichen Corporate Management), Hebei Yichen Packaging Products Co., Ltd.* (河北翼辰包裝製品有限公司) (hereinafter referred to as Yichen Packaging)	20%
Other taxable entities excluding the above-mentioned	25%

\* For identification purpose only

## Notes to the Financial Statements

2025

**IV. TAXATION** *(Continued)***(II) Tax Incentives**

1. According to the Announcement on the Filing of the Second Batch of High-Tech Enterprises Accredited by the Accreditation Authorities in Hebei Province in 2024 (河北省認定機構2024年認定報備的第二批高新技術企業進行備案的公示) dated 16 December 2024, the Company was a high-tech enterprise (Certificate No.: GR2024130039592024) in 2024, and was therefore subject to corporate income tax of 15% in 2025.
2. On 14 November 2023, Xingtai Juneng, our subsidiary, obtained the High-tech Enterprise Certificate (Certificate No. GR202313002740), which was approved after review and valid for three years. Xingtai Juneng was subject to corporate income tax rate of 15% in 2025.
3. According to the Announcement of the Ministry of Finance and the State Taxation Administration on Additional Value-Added Tax Credit Policy for Advanced Manufacturing Enterprises (Announcement No. 43 (2023) of the Ministry of Finance and the State Taxation Administration) (《財政部稅務總局關於先進製造業企業增值稅加計抵減政策的公告》(財政部稅務總局公告2023年第43號)), from 1 January 2023 to 31 December 2027, advanced manufacturing enterprises are allowed to credit input tax creditable for the current period plus 5% thereof against value-added tax payable. The Company and Xingtai Juneng, which are high-tech enterprises being qualified as advanced manufacturing enterprises, were entitled to enjoy the above tax incentives policy in 2025.
4. According to the Announcement on the Deduction Policy of Enterprise Income Tax for Equipment and Appliances (Announcement No. 37 (2023) of the Ministry of Finance and the State Taxation Administration) (《關於設備、器具扣除有關企業所得稅政策的公告》(財政部稅務總局公告2023年第37號)), if the unit value of equipment and appliances newly purchased by an enterprise between 1 January 2024 and 31 December 2027 does not exceed RMB5 million, it is allowed to be included in the current costs and expenses at one time and is deductible when calculating taxable income, and depreciation is no longer calculated annually; if the unit value exceeds RMB5 million, relevant regulations such as the Implementation Regulations of the Enterprise Income Tax Law, the Notice of the Ministry of Finance and the State Taxation Administration on Improving the Enterprise Income Tax Policy for Accelerated Depreciation of Fixed Assets (Cai shui [2014] No.75) (《財政部國家稅務總局關於完善固定資產加速折舊企業所得稅政策的通知》(財稅[2014]75號)) and the Notice of the Ministry of Finance and the State Taxation Administration on Further Improving the Enterprise Income Tax Policy for Accelerated Depreciation of Fixed Assets (Cai shui [2015] No. 106) (《財政部國家稅務總局關於進一步完善固定資產加速折舊企業所得稅政策的通知》(財稅[2015]106號)) shall continue to apply. The Company, Xingtai Juneng and Hebei Yichen Welding Co., Ltd. (河北翼辰焊業有限公司) (hereinafter referred to as Yichen Welding) were entitled to enjoy the above tax incentive policy in 2025.

## Notes to the Financial Statements

2025

**IV. TAXATION** *(Continued)***(II) Tax Incentives** *(Continued)*

5. According to the Announcement of the Ministry of Finance and the State Taxation Administration on Further Improving the Pre-tax Extra-deduction Policy for Research and Development Expenses (Announcement No. 7 (2023) of the Ministry of Finance and the State Taxation Administration) (《財政部稅務總局關於進一步完善研發費用稅前加計扣除政策的公告》(財政部稅務總局公告2023年第7號)), if the actual research and development expenses incurred by an enterprise in research and development activities are not included in the current profit and loss as intangible assets, on the basis of actual deduction according to regulations, from 1 January 2023, an additional deduction of 100% of the actual amount will be applied before tax; if an intangible asset is accounted for, from 1 January 2023, it will be amortised before tax at 200% of the intangible asset costs. The Company and Xingtai Juneng were entitled to enjoy the above preferential policy of pre-tax additional deduction of research and development expenses in 2025.
  
6. According to the Announcement of the Ministry of Finance and the State Taxation Administration on Tax and Fee Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Businesses (Announcement No. 12 (2023) of the Ministry of Finance and the State Taxation Administration) (《財政部稅務總局關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》(財政部稅務總局公告2023年第12號)), the policy of calculating the taxable income of small low-profit enterprises at a reduced rate of 25% and paying the enterprise income tax at a rate of 20% will be extended to 31 December 2027. Yichen Corporate Management and Yichen Packaging were qualified as small low-profit enterprises, and were entitled to enjoy the above tax incentive policy in 2025.

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****(I) Notes to the Consolidated Balance Sheet**1. *Monetary funds*(1) Breakdown

Items	Closing balance	Closing balance of last year
Cash on hand	<b>52,596.94</b>	33,372.44
Bank deposits	<b>279,570,356.49</b>	100,940,979.74
Other monetary funds	<b>62,303,873.13</b>	56,874,400.93
Total	<b>341,926,826.56</b>	157,848,753.11
Including: total funds placed overseas	<b>7,476,962.52</b>	1,027,563.04

(2) Other description

Items	Closing balance	Closing balance of last year
Other monetary funds	<b>62,303,873.13</b>	56,874,400.93
Including: Performance bond	<b>41,105,811.92</b>	32,316,265.77
Deposits for bank acceptance notes	<b>18,903,219.63</b>	15,780,000.00
Deposits for letter of credit	<b>1,325,119.04</b>	6,939,119.04
Others	<b>969,722.54</b>	1,839,016.12
Sub-total	<b>62,303,873.13</b>	56,874,400.93

As at 31 December 2025, other monetary funds have restricted usage; as at 31 December 2025, bank deposits of RMB50,000,000.00 were restricted as they were used for the subscription of structured deposits.

2. *Notes receivable*(1) Breakdown

Items	Closing balance	Closing balance of last year
Bank acceptance notes	<b>42,555,732.59</b>	48,479,367.07
Trade acceptance notes	<b>2,893,339.42</b>	6,209,831.80
Finance company acceptance notes	<b>178,480.00</b>	
Total	<b>45,627,552.01</b>	54,689,198.87

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)

## 2. Notes receivable (Continued)

## (2) Provision for bad debts

## 1) Breakdown by category

Categories	Book balance		Closing balance		Book value
	Amount	Proportion (%)	Provision for bad debts Amount	Percentage of provision (%)	
Provision for bad debts made collectively	45,905,206.30	100.00	277,654.29	0.60	45,627,552.01
Including: Bank acceptance notes	42,555,732.59	92.70			42,555,732.59
Trade acceptance notes	3,170,993.71	6.91	277,654.29	8.76	2,893,339.42
Finance company acceptance notes	178,480.00	0.39			178,480.00
Total	45,905,206.30	100.00	277,654.29	0.60	45,627,552.01

Categories	Book balance		Closing balance of last year		Book value
	Amount	Proportion (%)	Provision for bad debts Amount	Percentage of provision (%)	
Provision for bad debts made collectively	55,672,322.07	100.00	983,123.20	1.77	54,689,198.87
Including: Bank acceptance notes	48,479,367.07	87.08			48,479,367.07
Trade acceptance notes	7,192,955.00	12.92	983,123.20	13.67	6,209,831.80
Total	55,672,322.07	100.00	983,123.20	1.77	54,689,198.87

## 2) Notes receivable with provision for bad debts made collectively

Items	Book balance	Closing balance	
		Provision for bad debts	Percentage of provision (%)
Bank acceptance notes portfolio	42,555,732.59		
Trade acceptance notes portfolio	3,170,993.71	277,654.29	8.76
Finance company acceptance notes portfolio	178,480.00		
Sub-total	45,905,206.30	277,654.29	0.60

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)2. *Notes receivable* (Continued)(3) Changes in provision for bad debts

Items	Opening balance	Changes in amount during the period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debts made individually						
Provision for bad debts made collectively	983,123.20	-705,468.91				<b>277,654.29</b>
Total	983,123.20	-705,468.91				<b>277,654.29</b>

(4) Notes receivable that were not mature as at the balance sheet date but had been endorsed or discounted by the Company at the end of the period

Items	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Bank acceptance notes		<b>34,432,911.18</b>
Trade acceptance notes		<b>475,184.36</b>
Sub-total		<b>34,908,095.54</b>

## Notes to the Financial Statements

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)3. *Accounts receivable*(1) Breakdown

## 1) Breakdown by category

Categories	Book balance		Closing balance		Book value
	Amount	Proportion (%)	Amount	Percentage of provision (%)	
Provision for bad debts made individually	9,184,008.58	0.50	9,184,008.58	100.00	
Provision for bad debts made collectively	1,821,228,438.20	99.50	316,628,066.49	17.39	1,504,600,371.71
Total	1,830,412,446.78	100.00	325,812,075.07	17.80	1,504,600,371.71

Categories	Book balance		Closing balance of last year		Book value
	Amount	Proportion (%)	Amount	Percentage of provision (%)	
Provision for bad debts made individually	9,192,534.77	0.62	9,192,534.77	100.00	
Provision for bad debts made collectively	1,481,656,154.06	99.38	288,532,624.57	19.47	1,193,123,529.49
Total	1,490,848,688.83	100.00	297,725,159.34	19.97	1,193,123,529.49

## 2) Accounts receivables with provision for bad debts made collectively

Items	Closing balance		Percentage of provision (%)
	Book balance	Provision for bad debts	
Grouped by payment	1,667,463,872.87	263,987,912.24	15.83
Grouped by retention monies	153,764,565.33	52,640,154.25	34.23
Sub-total	1,821,228,438.20	316,628,066.49	17.39

## Notes to the Financial Statements

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(Continued)***(I) Notes to the Consolidated Balance Sheet** *(Continued)***3. Accounts receivable** *(Continued)***(1) Breakdown** *(Continued)*

- 3) Accounts receivables – grouped by payment, trade receivables with provision for bad debts against the expected credit loss rate comparison table

Ageing	Book balance	Closing balance	
		Provision for bad debts	Percentage of provision (%)
Within 1 year	1,052,075,213.93	21,041,504.28	2.00
1 to 2 years	215,188,486.02	21,518,848.61	10.00
2 to 3 years	152,930,013.42	45,879,004.03	30.00
3 to 4 years	122,232,830.88	61,116,415.44	50.00
4 to 5 years	53,025,943.65	42,420,754.91	80.00
Over 5 years	72,011,384.97	72,011,384.97	100.00
Total	1,667,463,872.87	263,987,912.24	15.83

- 4) Accounts receivables – grouped by retention monies, trade receivables with provision for bad debts against the expected credit loss rate comparison table

Ageing	Book balance	Closing balance	
		Provision for bad debts	Percentage of provision (%)
Within 1 year	51,585,376.44	7,737,806.46	15.00
1 to 2 years	36,453,304.97	5,467,995.75	15.00
2 to 3 years	21,706,761.97	6,512,028.59	30.00
3 to 4 years	19,200,578.76	9,600,289.38	50.00
4 to 5 years	7,482,545.62	5,986,036.50	80.00
Over 5 years	17,335,997.57	17,335,997.57	100.00
Total	153,764,565.33	52,640,154.25	34.23

## Notes to the Financial Statements

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)3. *Accounts receivable* (Continued)(2) Ageing analysis

Ageing	Closing balance			Closing balance of last year		
	Book balance	Provision for bad debts	Percentage of provision (%)	Book balance	Provision for bad debts	Percentage of provision (%)
Within 1 year	1,103,660,590.37	28,779,310.74	2.61	721,712,373.12	20,955,502.13	2.90
1 to 2 years	251,641,790.99	26,986,844.36	10.72	313,720,728.24	32,930,326.59	10.50
2 to 3 years	174,636,775.39	52,391,032.62	30.00	213,020,124.83	63,906,037.45	30.00
3 to 4 years	141,433,409.64	70,716,704.82	50.00	103,046,467.15	51,523,233.57	50.00
4 to 5 years	60,508,489.27	48,406,791.41	80.00	54,694,679.44	43,755,743.55	80.00
Over 5 years	98,531,391.12	98,531,391.12	100.00	84,654,316.05	84,654,316.05	100.00
Total	1,830,412,446.78	325,812,075.07	17.80	1,490,848,688.83	297,725,159.34	19.97

The ageing calculation of accounts receivable – grouped by retention monies starts at the expiry of retention monies, while the ageing calculation of accounts receivable – grouped by payment starts on the day when revenue is recognised and accounts receivable – payment occurs. The amount that occurs first has priority in settlement upon transfer of funds. The Company generally grants customers a credit term based on the contract agreed between the Company and the customer. Overdue receivables are regularly reviewed by the management.

(3) Changes in provision for bad debts

Items	Opening balance	Changes in amount during the period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Provision for bad debts made individually	9,192,534.77		8,526.19			9,184,008.58
Provision for bad debts made collectively	288,532,624.57	27,391,668.75		264,865.63	968,638.80	316,628,066.49
Total	297,725,159.34	27,391,668.75	8,526.19	264,865.63	968,638.80	325,812,075.07

(4) Actual accounts receivable written off during the period

Item	Amount written off
Actual accounts receivable written off	264,865.63

## Notes to the Financial Statements

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(Continued)***(I) Notes to the Consolidated Balance Sheet** *(Continued)*3. *Accounts receivable* *(Continued)*(5) Top 5 entities by the amount of accounts receivable and contract assets

The total amount attributable to top 5 entities by the closing balance of accounts receivable and contract assets (including contract assets presented under other non-current assets) was RMB846,935,817.93, representing 42.81% of the total closing balance of accounts receivable and contract assets (including contract assets presented under other non-current assets). The corresponding total provision for bad debts on accounts receivable and impairment of contract assets was RMB65,203,737.79.

4. *Financing of receivables*(1) Breakdown

Item	Closing balance	Closing balance of last year
Bank acceptance notes	<b>5,768,350.97</b>	12,520,009.41
Total	<b>5,768,350.97</b>	12,520,009.41

## Notes to the Financial Statements

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)4. *Financing of receivables* (Continued)

## (2) Provision for impairment

## 1) Breakdown by category

Categories	Costs		Closing balance Accumulated credit impairment provision recognised		Book value
	Amount	Proportion (%)	Amount	Percentage of provision (%)	
Provision for impairment made collectively	5,768,350.97	100.00			5,768,350.97
Including: Bank acceptance notes	5,768,350.97	100.00			5,768,350.97
Total	5,768,350.97	100.00			5,768,350.97

Categories	Costs		Closing balance of last year Accumulated credit impairment provision recognised		Book value
	Amount	Proportion (%)	Amount	Percentage of provision (%)	
Provision for impairment made collectively	12,520,009.41	100.00			12,520,009.41
Including: Bank acceptance notes	12,520,009.41	100.00			12,520,009.41
Total	12,520,009.41	100.00			12,520,009.41

## 2) Financing of receivables with provision for impairment made collectively

Item	Costs	Closing balance Accumulated credit impairment provision recognised	Percentage of provision (%)
Bank acceptance notes portfolio	5,768,350.97		
Sub-total	5,768,350.97		

## Notes to the Financial Statements

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)4. *Financing of receivables* (Continued)

(3) Financing of receivables that were not mature as at the balance sheet date but had been endorsed or discounted by the Company at the end of the period

Item	Amount derecognised at the end of the period
Bank acceptance notes	<b>17,933,827.09</b>
Sub-total	<b>17,933,827.09</b>

As the acceptors of the bank acceptance notes are commercial banks with relatively high credit ratings, the possibility of the bank acceptance notes being dishonoured by the banks when they become due is low, and therefore, the Company derecognises such bank acceptance notes that have been endorsed or discounted. However, if such notes are not honoured when they become due, the Company will still bear joint liability to bill holders in accordance with the provisions of the Negotiable Instruments Law.

5. *Prepayments*

(1) Ageing analysis

Ageing	Closing balance			Closing balance of last year			
	Book balance	Proportion (%)	Provision for impairment Book value	Book balance	Proportion (%)	Provision for impairment	Book value
Within 1 year	49,454,969.43	84.61	49,454,969.43	29,462,447.86	93.71		29,462,447.86
1 to 2 years	8,957,323.09	15.32	8,957,323.09	1,957,186.91	6.22		1,957,186.91
2 to 3 years	35,480.79	0.06	35,480.79	13,254.91	0.04		13,254.91
Over 3 years	4,108.81	0.01	4,108.81	10,841.33	0.03		10,841.33
Total	58,451,882.12	100.00	58,451,882.12	31,443,731.01	100.00		31,443,731.01

## Notes to the Financial Statements

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(Continued)***(I) Notes to the Consolidated Balance Sheet** *(Continued)*5. *Prepayments* *(Continued)*(2) Top 5 entities by the amount of prepayments

The total amount attributable to top 5 entities by the closing balance of prepayments was RMB38,149,610.56, representing 65.27% of the total closing balance of prepayments.

6. *Other receivables*(1) Classification by nature of amounts

Nature of amounts	Closing balance	Closing balance of last year
Security deposits	<b>8,538,087.17</b>	9,323,224.15
Imprest	<b>388,559.93</b>	519,103.44
Others	<b>1,822,828.90</b>	1,173,660.37
Total book balance	<b>10,749,476.00</b>	11,015,987.96
Less: Provision for bad debts	<b>3,450,048.04</b>	3,054,381.97
Total book value	<b>7,299,427.96</b>	7,961,605.99

## Notes to the Financial Statements

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(Continued)***(I) Notes to the Consolidated Balance Sheet** *(Continued)*6. *Other receivables* *(Continued)*(2) Ageing Status

Ageing	Closing balance	Closing balance of last year
Within 1 year	<b>1,902,984.24</b>	2,532,860.25
1 to 2 years	<b>1,026,798.53</b>	1,543,121.21
2 to 3 years	<b>1,143,571.21</b>	3,086,213.11
3 to 4 years	<b>3,032,328.63</b>	533,000.00
4 to 5 years	<b>463,000.00</b>	740,000.00
Over 5 years	<b>3,180,793.39</b>	2,580,793.39
Total book balance	<b>10,749,476.00</b>	11,015,987.96
Less: Provision for bad debts	<b>3,450,048.04</b>	3,054,381.97
Total book value	<b>7,299,427.96</b>	7,961,605.99

## Notes to the Financial Statements

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)6. *Other receivables* (Continued)(3) Provision for bad debts

## 1) Breakdown by category

Categories	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad debts made individually	761,173.00	7.08	761,173.00	100.00	
Provision for bad debts made collectively	9,988,303.00	92.92	2,688,875.04	26.92	7,299,427.96
Total	10,749,476.00	100.00	3,450,048.04	32.10	7,299,427.96

Categories	Closing balance of last year				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad debts made individually	761,173.00	6.91	761,173.00	100.00	
Provision for bad debts made collectively	10,254,814.96	93.09	2,293,208.97	22.36	7,961,605.99
Total	11,015,987.96	100.00	3,054,381.97	27.73	7,961,605.99

## 2) Other receivables with provision for bad debts made collectively

Portfolios	Closing balance		
	Book balance	Provision for bad debts	Percentage of provision (%)
Security deposits receivable portfolio	7,776,914.17	2,108,335.32	27.11
Imprest receivable portfolio	388,559.93	18,075.20	4.65
Temporary advance payment receivable portfolio	1,075,501.91	537,750.96	50.00
Other portfolios	747,326.99	24,713.56	3.31
Sub-total	9,988,303.00	2,688,875.04	26.92

## Notes to the Financial Statements

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)6. *Other receivables* (Continued)(3) *Provision for bad debts* (Continued)

## 3) Changes in provision for bad debts

Items	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the following 12 months	Lifetime expected credit loss (without credit impairment)	Lifetime expected credit loss (with credit impairment)	
Opening balance	65,637.26	657,513.28	2,331,231.43	3,054,381.97
Opening balance for the period	–	–	–	
– Transfer to stage 2	-1,305.22	1,305.22		
– Transfer to stage 3		-7,134.92	7,134.92	
– Reverse to stage 2				
– Reverse to stage 1				
Provision for the period	6,409.47	-100,236.37	490,097.45	396,270.55
Recovery or reversal for the period				
Write-off for the period			604.48	604.48
Other changes				
Closing balance	70,741.51	551,447.21	2,827,859.32	3,450,048.04
Percentage of provision for bad debts at the end of the period (%)	2.00	14.97	80.16	32.10

## 4) Actual write-off of other receivables during the period

Item	Amount written off
Actual write-off of other receivables	604.48

## Notes to the Financial Statements

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)6. *Other receivables* (Continued)(4) Top 5 entities by the amount of other receivables

The total amount attributable to top 5 entities by the closing balance of other receivables was RMB4,004,400.91, representing 37.25% of the total closing balance of other receivables. The corresponding provision for bad debts of other receivables was RMB1,676,418.48.

7. *Inventories*(1) Breakdown

Items	Closing balance			Closing balance of last year		
	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Raw materials	54,076,938.83	3,676,683.95	50,400,254.88	66,073,662.31	3,594,296.23	62,479,366.08
Work in process	27,185,829.97	544,518.76	26,641,311.21	33,380,382.71	670,441.92	32,709,940.79
Finished goods	213,843,588.82	40,313,841.23	173,529,747.59	348,960,768.86	30,470,914.78	318,489,854.08
Delivered goods	11,731,615.17		11,731,615.17	4,338,302.30		4,338,302.30
Materials for consigned processing	4,389,754.97		4,389,754.97	4,580,071.45		4,580,071.45
Total	311,227,727.76	44,535,043.94	266,692,683.82	457,333,187.63	34,735,652.93	422,597,534.70

## Notes to the Financial Statements

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)7. **Inventories** (Continued)

## (2) Provisions for inventory impairment

## 1) Breakdown

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Provisions	Others	Reversal or write-off	Others	
Raw materials	3,594,296.23	82,387.72				<b>3,676,683.95</b>
Work in process	670,441.92	544,518.76		670,441.92		<b>544,518.76</b>
Finished goods	30,470,914.78	18,964,421.02		9,121,494.57		<b>40,313,841.23</b>
Total	34,735,652.93	19,591,327.50		9,791,936.49		<b>44,535,043.94</b>

- 2) Specific basis for determining net realisable value, the reasons for reversal or write-off of provisions for inventory impairment during the period

Item	Specific basis for determining net realisable value	Reasons for reversal of provisions for inventory impairment	Reasons for write-off of provisions for inventory impairment
Raw materials	The net realisable value of relevant finished products is determined based on estimated selling price less estimated costs to be incurred for completion, estimated sales expenses and relevant taxes and surcharges		
Work in process	The net realisable value of relevant finished products is determined based on estimated selling price less estimated costs to be incurred for completion, estimated sales expenses and relevant taxes and surcharges		Inventories with provisions for impairment were consumed during the period
Finished goods	The net realisable value is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges		Inventories with provisions for impairment were sold during the period

## Notes to the Financial Statements

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)8. **Contract assets**(1) **Breakdown**

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Retention monies receivable	22,193,692.29	3,329,053.84	18,864,638.45	35,407,667.34	5,311,150.10	30,096,517.24
Total	22,193,692.29	3,329,053.84	18,864,638.45	35,407,667.34	5,311,150.10	30,096,517.24

(2) **Provision for impairment**1) **Breakdown by category**

Category	Closing balance				
	Book balance		Provision for impairment		Book value
	Amount	Proportion (%)	Amount	Percentage of provision (%)	
Provision for impairment made collectively	22,193,692.29	100.00	3,329,053.84	15.00	18,864,638.45
Total	22,193,692.29	100.00	3,329,053.84	15.00	18,864,638.45

Category	Closing balance of last year				
	Book balance		Provision for impairment		Book value
	Amount	Proportion (%)	Amount	Percentage of provision (%)	
Provision for impairment made collectively	35,407,667.34	100.00	5,311,150.10	15.00	30,096,517.24
Total	35,407,667.34	100.00	5,311,150.10	15.00	30,096,517.24

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)8. *Contract assets* (Continued)(2) *Provision for impairment* (Continued)

## 2) Contract assets with provision for impairment made collectively

Item	Closing balance		
	Book balance	Provision for impairment	Percentage of provision (%)
Grouped by retention monies	<b>22,193,692.29</b>	<b>3,329,053.84</b>	<b>15.00</b>
Sub-total	<b>22,193,692.29</b>	<b>3,329,053.84</b>	<b>15.00</b>

(4) *Changes in provision for impairment*

Item	Opening balance	Changes in amount during the period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Provision for impairment made collectively	5,311,150.10	-6,142,151.20		4,160,054.94		<b>3,329,053.84</b>
Total	5,311,150.10	-6,142,151.20		4,160,054.94		<b>3,329,053.84</b>

9. *Other current assets*

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Input value added tax retained for deduction	<b>31,293.00</b>		<b>31,293.00</b>	12,048,137.62		12,048,137.62
Input value added tax to be certified	<b>2,487,923.38</b>		<b>2,487,923.38</b>	891,288.89		891,288.89
Prepaid taxes	<b>1,647,505.12</b>		<b>1,647,505.12</b>	7,109,415.97		7,109,415.97
Total	<b>4,166,721.50</b>		<b>4,166,721.50</b>	20,048,842.48		20,048,842.48

## Notes to the Financial Statements

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)

## 10. Long-term equity investments

## (1) Classification

Item	Closing balance		Closing balance of last year			
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in associates	345,977,288.54		345,977,288.54	309,091,068.98		309,091,068.98
Total	345,977,288.54		345,977,288.54	309,091,068.98		309,091,068.98

## (2) Breakdown

Investee	Opening balance		Increase or decrease during the period			
	Book value	Provision for impairment	Additional investments	Decrease in investments	Investment profit or loss recognised using equity method	Adjustment to other comprehensive income
Associate						
Hebei Tieke Yichen New Material Technology Co., Ltd. (hereinafter referred to as Tieke Yichen)	309,091,068.98				68,682,035.85	
Total	309,091,068.98				68,682,035.85	

Investee	Increase or decrease during the period				Closing balance	
	Other changes in equity	Cash dividends or profit distribution declared	Provision for impairment	Others	Book value	Provision for impairment
Associate						
Tieke Yichen	-157,394.28	11,012,750.00		-20,625,672.01	345,977,288.54	
Total	-157,394.28	11,012,750.00		-20,625,672.01	345,977,288.54	

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)**11. Other equity instruments investment****(1) Breakdown**

Items	Opening balance	Increase or decrease during the period			Others
		Additional investments	Decrease in investments	Gains and losses included in other comprehensive income for the period	
Hebei Electric Power Trading Center Co., Ltd.* (河北電力交易中心有限公司)	8,197,392.29				
Hebei Fu Gao Equity Investment Fund Co., Ltd.* (河北富高股權投資基金有限公司)	10,000,000.00		10,000,000.00		
<b>Total</b>	<b>18,197,392.29</b>		<b>10,000,000.00</b>		

Items	Closing balance	Dividend income recognised for the period	Gains and losses accumulated in other comprehensive income at the end of the period
Hebei Electric Power Trading Center Co., Ltd.*	<b>8,197,392.29</b>		-123,507.71
Hebei Fu Gao Equity Investment Fund Co., Ltd.*			
<b>Total</b>	<b>8,197,392.29</b>		-123,507.71

**(2) Reasons for designation as an equity instrument investment at fair value through other comprehensive income**

The Company holds 4.65% equity interest in Hebei Electric Power Trading Center Co., Ltd. and has no control, joint control and significant influence on Hebei Electric Power Trading Center Co., Ltd. At the same time, as the Company intends to hold the investment on a long-term basis in line with its investment strategy, the investment is designated as an equity instrument investment at fair value through other comprehensive income.

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(Continued)***(I) Notes to the Consolidated Balance Sheet** *(Continued)*11. *Other equity instruments investment* *(Continued)*(3) Other equity instrument investment derecognised during the period

Item	Fair value at the time of derecognition	Accumulated gains and losses transferred to retained earnings due to derecognition	Reason for derecognition
Hebei Fu Gao Equity Investment Fund Co., Ltd.*	10,000,000.00		Optimisation of resource allocation and recovery of investment
Sub-total	10,000,000.00		

\* For identification purpose only

## Notes to the Financial Statements

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)

## 12. Fixed assets

## (1) Breakdown

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Electronic equipment	Other equipment	Total
Original book value						
Opening balance	610,887,952.65	376,030,518.95	18,612,472.56	20,218,988.04	5,972,879.51	1,031,722,811.71
Increase during the period	432,415.79	8,839,081.27	75,457.81	228,460.75	631,008.17	10,206,423.79
1) Purchase	340,168.57	4,158,342.88	48,230.09	101,355.11	278,208.17	4,926,304.82
2) Transfer from construction in progress	92,247.22	4,680,738.39	27,227.72	127,105.64	352,800.00	5,280,118.97
Decrease during the period		1,754,577.02	60,152.22	1,777,261.60	1,133,666.66	4,725,657.50
1) Disposal or retirement		1,754,577.02	60,152.22	1,777,261.60	1,133,666.66	4,725,657.50
Closing balance	611,320,368.44	383,115,023.20	18,627,778.15	18,670,187.19	5,470,221.02	1,037,203,578.00
Accumulated depreciation						
Opening balance	118,291,538.55	189,706,396.47	16,814,098.83	14,137,880.75	3,111,951.59	342,061,866.19
Increase during the period	29,612,321.75	25,142,154.46	289,983.59	3,886,614.44	1,006,376.32	59,937,450.56
1) Provision	29,612,321.75	25,142,154.46	289,983.59	3,886,614.44	1,006,376.32	59,937,450.56
Decrease during the period		1,644,758.97	57,144.60	1,678,149.25	1,076,983.32	4,457,036.14
1) Disposal or retirement		1,644,758.97	57,144.60	1,678,149.25	1,076,983.32	4,457,036.14
Closing balance	147,903,860.30	213,203,791.96	17,046,937.82	16,346,345.94	3,041,344.59	397,542,280.61
Book value						
Closing book value	463,416,508.14	169,911,231.24	1,580,840.33	2,323,841.25	2,428,876.43	639,661,297.39
Opening book value	492,596,414.10	186,324,122.48	1,798,373.73	6,081,107.29	2,860,927.92	689,660,945.52

## Notes to the Financial Statements

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)12. *Fixed assets* (Continued)(2) Information on fixed assets without certificate of title

Items	Book value	Reason for not obtaining certificate of title
Comprehensive experiment building for the R&D and manufacturing project of high-speed railway heavy-haul fastening accessory systems	27,989,002.31	Under process
Dormitory buildings of new factories	26,687,004.66	Under process
Experimental workshops of new factories	34,317,765.17	Under process
Others	12,901,521.55	Area verification, under process
Sub-total	101,895,293.69	

13. *Project under construction*(1) Breakdown

Items	Closing balance		Closing balance of last year			
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Railway locomotive project	191,870,395.02		191,870,395.02	146,674,470.95		146,674,470.95
Others	19,067,709.68		19,067,709.68	7,698,281.69		7,698,281.69
Total	210,938,104.70		210,938,104.70	154,372,752.64		154,372,752.64

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)13. *Project under construction* (Continued)(2) Changes in major projects under construction during the period

Project name	Budget	Opening balance	Increase during the period	Transfer to fixed assets	Other decrease	Closing balance
Railway locomotive project	500,000,000.00	146,674,470.95	45,652,972.97	457,048.90		191,870,395.02
Sub-total	500,000,000.00	146,674,470.95	45,652,972.97	457,048.90		191,870,395.02

Project name	Percentage of accumulated project input to budget (%)	Progress of project (%)	Accumulated amount of capitalised interest	Amount of capitalised interest for the current period	Ratio of capitalised interest for the current period (%)	Source of funds
Railway locomotive project	50	50				Own funds
Sub-total						

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)14. *Right-of-use assets*(1) Breakdown

Items	Buildings and structures	Total
Original book value		
Opening balance	1,838,302.03	1,838,302.03
Increase during the period		
1) Lease		
Decrease during the period		
1) Disposal		
Closing balance	1,838,302.03	1,838,302.03
Accumulated depreciation		
Opening balance	612,767.34	612,767.34
Increase during the period	612,767.34	612,767.34
1) Provision	612,767.34	612,767.34
Decrease during the period		
1) Disposal		
Closing balance	1,225,534.68	1,225,534.68
Book value		
Closing book value	612,767.35	612,767.35
Opening book value	1,225,534.69	1,225,534.69

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)

## 15. Intangible assets

## (1) Breakdown

Items	Land use rights	Software use rights	Total
Original book value			
Opening balance	165,479,960.42	2,592,800.81	168,072,761.23
Increase during the period	6,923,815.67	82,773.41	7,006,589.08
1) Purchase	6,923,815.67		6,923,815.67
2) Transfer from construction in progress		82,773.41	82,773.41
Decrease during the period			
1) Disposal			
Closing balance	172,403,776.09	2,675,574.22	175,079,350.31
Accumulated amortisation			
Opening balance	23,347,100.24	2,147,712.36	25,494,812.60
Increase during the period	3,409,637.74	219,478.81	3,629,116.55
1) Provision	3,409,637.74	219,478.81	3,629,116.55
Decrease during the period			
1) Disposal			
Closing balance	26,756,737.98	2,367,191.17	29,123,929.15
Book value			
Closing book value	145,647,038.11	308,383.05	145,955,421.16
Opening book value	142,132,860.18	445,088.45	142,577,948.63

## (2) Analysis of book value of the land use rights

Items	Closing balance	Closing balance of last year
Outside Hong Kong		
Including: Interim lease	<b>145,647,038.11</b>	142,132,860.18
Sub-total	<b>145,647,038.11</b>	142,132,860.18

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)16. *Goodwill*(1) Breakdown

Name of investee or event generating goodwill	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Xingtai Juneng	114,280,454.01	108,789,175.82	5,491,278.19	114,280,454.01	54,444,501.09	59,835,952.92
Total	114,280,454.01	108,789,175.82	5,491,278.19	114,280,454.01	54,444,501.09	59,835,952.92

(2) Original book value of goodwill

Name of investee or event generating goodwill	Opening balance	Arising from combination of enterprises during the period		Decrease during the period		Closing balance
				Disposal	Others	
Xingtai Juneng	114,280,454.01					114,280,454.01
Total	114,280,454.01					114,280,454.01

(3) Provision for goodwill impairment

Name of investee or event generating goodwill	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Provision	Others	Disposal	Others	
Xingtai Juneng	54,444,501.09	54,344,674.73				108,789,175.82
Total	54,444,501.09	54,344,674.73				108,789,175.82

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)16. *Goodwill* (Continued)

(4) Information about the asset group or asset group portfolio that goodwill belongs to  
Asset group or asset group portfolio

Name of asset group or asset group portfolio	Composition and basis of asset group or asset group portfolio	Operating segments and basis	Whether the asset group or asset group portfolio is consistent with the asset group or asset group portfolio determined on the purchase date or the goodwill impairment test date of previous years
Xingtai Juneng	Asset group of Xingtai Juneng, such asset group is able to benefit from the synergies of the enterprise combination	Not applicable, the Company has no operating segments	Yes

(5) Specific determination method of recoverable amount

Recoverable amount is determined based on the present value of expected future cash flows

Item	Book value of asset group or asset group portfolio, including goodwill	Recoverable amount	Provision for impairment for the period
Xingtai Juneng	101,298,199.69	39,190,000.00	54,344,674.73
Sub-total	101,298,199.69	39,190,000.00	54,344,674.73

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)16. *Goodwill* (Continued)

## (5) Specific determination method of recoverable amount (Continued)

Recoverable amount is determined based on the present value of expected future cash flows (Continued)

Item	Term of forecast period	Parameters such as revenue growth rate and profit margin during the forecast period and its basis of determination	Parameters such as growth rate and profit margin during the stable period and its basis of determination	Discount rate and its basis of determination
Xingtai Juneng	5 years	Revenue amount for each forecast period is determined based on the historical experience and market development forecasts; items in the income statement are recognised based on the proportion of revenue of the base period	The growth rate is 0% during the stable period, and items in the income statement are determined based on the last forecast period	9.3%, determined based on the pre-tax weighted average capital cost model
Sub-total				

According to the Asset Evaluation Report (Jin Zheng Ping Bao Zi [2026] No. A0213) issued by Jinzheng (Shanghai) Assets Appraisal Co., Ltd. (金證(上海)資產評估有限公司) engaged by the Company, the book value of asset group or asset group portfolio including goodwill of Xingtai Juneng amounted to RMB101,298,200, and the recoverable amount was RMB39,190,000. The shareholding ratio of the Company at the time of acquisition of Xingtai Juneng was 87.50%, therefore the impairment loss of goodwill attributable to the Company calculated based on the percentage of shareholding ratio was RMB54,344,700.

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)

## 17. Long-term deferred expenses

Items	Opening balance	Increase during the period	Amortisation during the period	Other decreases	Closing balance
Renovation expenses	672,829.52		183,498.96		489,330.56
Total	672,829.52		183,498.96		489,330.56

## 18. Deferred income tax assets and deferred income tax liabilities

## (1) Non-offsetting deferred income tax assets

Items	Closing balance		Closing balance of last year	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	391,835,364.51	58,773,960.97	352,043,657.11	52,806,446.98
Accrued expenses	55,398,950.04	8,309,842.51	50,779,344.35	7,616,901.65
Unrealised profits from internal transactions	1,753,602.03	263,040.30	2,334,289.90	350,143.48
Accounts payable over 3 years	2,490,182.42	373,527.36	4,261,059.60	639,158.94
Deductible losses	36,337,635.88	9,084,408.97	39,697,163.20	9,836,931.94
Deferred income	4,013,266.67	601,990.00	4,245,866.67	636,880.00
Lease liabilities	632,166.81	94,825.02	1,244,731.55	186,709.73
Total	492,461,168.36	77,501,595.13	454,606,112.38	72,073,172.72

## (2) Non-offsetting deferred income tax liabilities

Items	Closing balance		Closing balance of last year	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Appreciation in asset valuation of business combination not under common control	1,609,989.91	241,498.50	1,766,081.53	264,912.23
Accelerated depreciation of fixed assets	66,612,981.50	13,625,710.81	71,807,351.62	14,653,460.20
Right-of-use assets	612,767.35	91,915.10	1,225,534.69	183,830.20
Total	68,835,738.76	13,959,124.41	74,798,967.84	15,102,202.63

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)18. *Deferred income tax assets and deferred income tax liabilities* (Continued)(3) Deferred income tax assets or liabilities presented on a net basis after offsetting

Items	Closing balance		Closing balance of last year	
	Offset amount of deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting	Offset amount of deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting
Deferred income tax assets	13,717,625.91	63,783,969.22	14,837,290.40	57,235,882.32
Deferred income tax liabilities	13,717,625.91	241,498.50	14,837,290.40	264,912.23

(4) Breakdown of unrecognised deferred income tax assets

Items	Closing balance	Closing balance of last year
Deductible temporary differences	4,404,034.31	3,613,966.48
Deductible losses	31,548,250.87	21,775,840.48
Total	35,952,285.18	25,389,806.96

(5) Deductible losses for which deferred income tax assets are not recognised will expire in the following years

Year	Closing balance	Closing balance of last year	Note
2026	150,115.21	158,637.10	
2027	758.14	758.14	
2028	4,195,702.93	4,195,702.93	
2029	14,205,274.17	14,205,284.52	
2030	9,773,840.77		
Indefinite	3,222,559.65	3,215,457.79	
Total	31,548,250.87	21,775,840.48	

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)

## 19. Other non-current assets

## (1) Breakdown

Items	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Prepayment for the purchase of long-term assets	34,398,547.10		34,398,547.10	59,824,429.87		59,824,429.87
Contract assets	125,570,157.59	18,835,523.64	106,734,633.95	92,321,040.35	13,848,156.05	78,472,884.30
Total	159,968,704.69	18,835,523.64	141,133,181.05	152,145,470.22	13,848,156.05	138,297,314.17

## (2) Contract assets

## 1) Breakdown

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Retention monies receivable	125,570,157.59	18,835,523.64	106,734,633.95	92,321,040.35	13,848,156.05	78,472,884.30
Sub-total	125,570,157.59	18,835,523.64	106,734,633.95	92,321,040.35	13,848,156.05	78,472,884.30

## Notes to the Financial Statements

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)19. *Other non-current assets* (Continued)(2) Contract assets (Continued)

## 2) Provision for impairment

## ① Breakdown by category

Category	Book balance		Closing balance		Book value
	Amount	Proportion (%)	Amount	Provision for impairment Percentage of provision (%)	
Provision for impairment made collectively	125,570,157.59	100.00	18,835,523.64	15.00	106,734,633.95
Total	125,570,157.59	100.00	18,835,523.64	15.00	106,734,633.95

Category	Book balance		Closing balance of last year		Book value
	Amount	Proportion (%)	Amount	Provision for impairment Percentage of provision (%)	
Provision for impairment made collectively	92,321,040.35	100.00	13,848,156.05	15.00	78,472,884.30
Total	92,321,040.35	100.00	13,848,156.05	15.00	78,472,884.30

## ② Contract assets with impairment provisions made collectively

Item	Book balance		Closing balance	
	Amount	Proportion (%)	Provision for impairment	Percentage of provision (%)
Grouped by retention monies	125,570,157.59		18,835,523.64	15.00
Sub-total	125,570,157.59		18,835,523.64	15.00

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)19. *Other non-current assets* (Continued)(2) Contract assets (Continued)

## 3) Changes in provision for impairment

Item	Opening balance	Changes in amount during the period			Closing balance
		Provision	Recovery or Reversal	Write-off Others	
Provision for impairment					
made collectively	13,848,156.05	10,115,027.33		-5,127,659.74	18,835,523.64
Total	13,848,156.05	10,115,027.33		-5,127,659.74	18,835,523.64

20. *Assets with restrictions on ownership or use rights*(1) Restrictions on assets at the end of the period

Items	Book balance at the end of the period	Book value at the end of the period	Types of restriction	Reasons for restriction
Monetary capital	112,303,873.13	112,303,873.13	Pledged and others	Security deposits, migrant workers' advance deposits, restrictions on subscription for structured deposits
Notes receivable	35,032,911.18	34,908,095.54	Pledged	Notes endorsed and transferred but not yet derecognised
Accounts receivable	41,853,705.97	29,822,233.11	Pledged	Certificates for accounts receivable that were endorsed and factored but not yet derecognised
Fixed assets	393,025,012.33	301,614,687.34	Secured	Pledged security
Intangible assets	96,138,778.16	76,475,560.93	Secured	Pledged security
Other non-current assets	500,000.00	425,000.00	Pledged	Certificates for accounts receivable that were endorsed and factored but not yet derecognised
Total	678,854,280.77	555,549,450.05		

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)**20. Assets with restrictions on ownership or use rights** (Continued)**(2) Restrictions on assets at the end of last year**

Items	Book balance at the end of the period	Book value at the end of the period	Types of restriction	Reasons for restriction
Monetary capital	56,874,400.93	56,874,400.93	Pledged and others	Security deposits, migrant workers' advance deposits
Notes receivable	44,268,163.28	43,923,579.34	Pledged	Notes endorsed and transferred but not yet derecognised
Accounts receivable	69,076,589.19	53,926,874.13	Pledged	Certificates for accounts receivable that were endorsed and factored but not yet derecognised
Fixed assets	393,024,347.05	320,479,206.70	Secured	Pledged security
Intangible assets	96,138,778.16	78,409,284.06	Secured	Pledged security
<b>Total</b>	<b>659,382,278.61</b>	<b>553,613,345.16</b>		

**21. Short-term borrowings**

Items	Closing balance	Closing balance of last year
Pledged and guaranteed borrowings	<b>5,000,000.00</b>	
Secured borrowings	<b>3,000,000.00</b>	5,000,000.00
Credit borrowings	<b>1,500,000.00</b>	95,800,000.00
Pledged borrowings	<b>11,520,804.50</b>	24,840,149.32
<b>Total</b>	<b>21,020,804.50</b>	125,640,149.32

## Notes to the Financial Statements

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**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)22. *Bills payable*

Items	Closing balance	Closing balance of last year
Trade acceptance notes		400,000.00
Bank acceptance notes	<b>82,642,831.84</b>	52,600,000.00
Total	<b>82,642,831.84</b>	53,000,000.00

23. *Accounts payable*(1) Breakdown

Items	Closing balance	Closing balance of last year
Payables for materials	<b>368,024,222.79</b>	324,456,645.92
Payables for technology transfer	<b>55,398,950.04</b>	50,779,344.35
Payables for transportation	<b>13,028,776.14</b>	9,705,436.84
Payables for electricity and others	<b>8,615,561.18</b>	6,788,687.75
Total	<b>445,067,510.15</b>	391,730,114.86

(2) Ageing analysis

Ageing	Closing balance
Within 1 year	<b>392,424,135.38</b>
Over 1 year	<b>52,643,374.77</b>
Total	<b>445,067,510.15</b>

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)23. *Accounts payable* (Continued)(3) Material accounts payable ageing over 1 year

Item	Closing balance	Reasons of unsettlement or carrying-forward
Supplier 1	29,572,031.16	Not qualified for payment
Sub-total	29,572,031.16	

24. *Contract liabilities*

Item	Closing balance	Closing balance of last year
Receipts in advance	<b>15,524,312.93</b>	10,913,342.91
Total	<b>15,524,312.93</b>	10,913,342.91

25. *Payroll payable*(1) Breakdown

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Short-term remuneration	7,561,559.62	99,875,416.58	98,374,695.60	<b>9,062,280.60</b>
Post-employment benefits – established withdrawal and deposit plan	41,743.57	10,628,202.22	10,588,194.72	<b>81,751.07</b>
Total	7,603,303.19	110,503,618.80	108,962,890.32	<b>9,144,031.67</b>

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)

## 25. Payroll payable (Continued)

## (2) Breakdown of short-term remuneration

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Salaries, bonuses, allowances and subsidies	7,413,369.11	85,088,468.14	83,623,389.60	<b>8,878,447.65</b>
Staff welfare		1,356,863.64	1,356,863.64	
Social insurance	16,356.90	7,681,169.92	7,666,916.96	<b>30,609.86</b>
Including: Medical insurance	14,461.15	5,938,141.52	5,925,928.28	<b>26,674.39</b>
Work injury insurance	1,231.75	905,236.25	903,772.53	<b>2,695.47</b>
Maternity insurance	664.00	837,792.15	837,216.15	<b>1,240.00</b>
Housing provident funds	7,525.00	4,101,092.00	4,094,792.00	<b>13,825.00</b>
Labour union funds and employee education funds	124,308.61	1,647,822.88	1,632,733.40	<b>139,398.09</b>
Sub-total	7,561,559.62	99,875,416.58	98,374,695.60	<b>9,062,280.60</b>

## (3) Breakdown of established withdrawal and deposit plan

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Basic pension insurance	40,116.15	10,182,883.90	10,144,440.16	<b>78,559.89</b>
Unemployment insurance premium	1,627.42	445,318.32	443,754.56	<b>3,191.18</b>
Sub-total	41,743.57	10,628,202.22	10,588,194.72	<b>81,751.07</b>

According to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the relevant laws and regulations, the Company and its subsidiaries shall contribute to basic pension insurance for their employees. Pension will be paid by authorities of social insurances to employees in accordance with the law when such employees reach the retirement age stipulated by the nation or leave the workforce due to other reasons. The Company and its subsidiaries will then be no longer responsible for providing further retirement benefits to the employees.

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)26. *Taxes payable*

Items	Closing balance	Closing balance of last year
Value added tax	<b>10,917,760.33</b>	393,400.59
Corporate income tax	<b>28,171,480.50</b>	14,070,224.07
Withholding and payment of individual income tax	<b>108,635.13</b>	59,341.05
Urban maintenance and construction tax	<b>685,760.41</b>	19,114.43
Education surcharge	<b>293,897.31</b>	11,170.05
Local education surcharge	<b>195,932.18</b>	7,446.68
Stamp duty	<b>292,320.52</b>	193,694.75
Others	<b>531,080.28</b>	531,077.40
<b>Total</b>	<b>41,196,866.66</b>	15,285,469.02

27. *Other payables*

Items	Closing balance	Closing balance of last year
Payments for engineering equipment	<b>14,201,791.99</b>	13,680,039.39
Security deposits	<b>620,275.50</b>	3,200,000.00
Others	<b>1,400,683.84</b>	2,859,019.02
<b>Total</b>	<b>16,222,751.33</b>	19,739,058.41

28. *Non-current liabilities due within one year*

Items	Closing balance	Closing balance of last year
Long-term borrowings due within one year	<b>165,820,000.00</b>	92,250,000.00
Lease liabilities due within one year	<b>632,166.81</b>	612,564.74
<b>Total</b>	<b>166,452,166.81</b>	92,862,564.74

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)29. *Other current liabilities*

Item	Closing balance	Closing balance of last year
VAT output to be recognised	<b>1,028,160.71</b>	906,711.48
Total	<b>1,028,160.71</b>	906,711.48

30. *Long-term borrowings*(1) Breakdown

Items	Closing balance	Closing balance of last year
Secured borrowings	<b>97,620,000.00</b>	100,000,000.00
Secured and guaranteed borrowings	<b>169,060,000.00</b>	89,860,000.00
Credit borrowings	<b>64,800,000.00</b>	154,560,000.00
Guaranteed borrowings	<b>20,683,000.00</b>	39,881,000.00
Total	<b>352,163,000.00</b>	384,301,000.00

(2) Analysis of long-term borrowings by maturity date

Items	Closing balance	Closing balance of last year
Current or within 1 year	<b>165,820,000.00</b>	92,250,000.00
1-2 years	<b>352,163,000.00</b>	234,460,000.00
2-5 years		149,841,000.00
Sub-total	<b>517,983,000.00</b>	476,551,000.00
Including: Long-term borrowings due within 1 year	<b>165,820,000.00</b>	92,250,000.00
Long-term borrowings due after 1 year	<b>352,163,000.00</b>	384,301,000.00

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)**31. Lease liabilities**

Item	Closing balance	Closing balance of last year
Lease liabilities		632,166.81
Total		632,166.81

**32. Deferred income**

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reasons
Government grants	4,245,866.67		232,600.00	<b>4,013,266.67</b>	Asset-related government grants
Total	4,245,866.67		232,600.00	<b>4,013,266.67</b>	

**33. Share capital**

Items	Opening balance	Increase and decrease during the period ("-" for decrease)				Sub-total	Closing balance
		Issuance of new shares	Bonus shares	Transfer from reserves	Others		
Non-tradable shares	336,690,000.00						<b>336,690,000.00</b>
Shares held by domestic legal persons	14,350,000.00						<b>14,350,000.00</b>
Shares held by domestic natural persons	322,340,000.00						<b>322,340,000.00</b>
Tradable shares without selling restrictions	112,230,000.00						<b>112,230,000.00</b>
H shares	112,230,000.00						<b>112,230,000.00</b>
Total	448,920,000.00						<b>448,920,000.00</b>

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)**34. Capital reserve****(1) Breakdown**

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Capital premium (share premium)	813,227,049.41			<b>813,227,049.41</b>
Other capital reserve	706,988.51		157,394.28	<b>549,594.23</b>
Total	813,934,037.92		157,394.28	<b>813,776,643.64</b>

**(2) Other description**

The decrease in other capital reserve during the period was due to share of changes in other interests in associates based on the percentage of shareholding.

**35. Treasury stock****(1) Breakdown**

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Repurchase of H shares	24,878,196.19	3,041,479.92		<b>27,919,676.11</b>
Total	24,878,196.19	3,041,479.92		<b>27,919,676.11</b>

**(2) Other description**

In 2025, the Company repurchased 1,500,000 H shares at the average repurchase price of RMB2.0277 per share.

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)**36. Other comprehensive income**

Items	Opening balance	Amounts for the period					Less: Amount included in other comprehensive income in prior period and transferred to retained earnings during the period (attributable to the parent after tax)	Closing balance
		Other comprehensive income after tax, net						
		Amount for the current period before income tax	Less: Amount included in other comprehensive income in prior period and transferred to profit or loss during the period	Less: Income tax expenses	Amount attributable to the parent after tax	Amount attributable to minority interests after tax		
Other comprehensive income that cannot be reclassified to profit or loss	-123,507.71						-123,507.71	
Including: Changes in fair value of other equity instruments investment	-123,507.71						-123,507.71	
<b>Total other comprehensive income</b>	<b>-123,507.71</b>						<b>-123,507.71</b>	

**37. Surplus reserve****(1) Breakdown**

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	156,494,587.84	28,709,191.97		<b>185,203,779.81</b>
<b>Total</b>	<b>156,494,587.84</b>	<b>28,709,191.97</b>		<b>185,203,779.81</b>

**(2) Other description**

In 2025, the increase in the statutory surplus reserve of the Company was provided based on 10% of the net profit of the parent.

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(I) Notes to the Consolidated Balance Sheet** (Continued)38. *Undistributed profits*(1) Breakdown

Items	Amounts for the period	Amounts for the same period of last year
Undistributed profits at the beginning of the period	<b>987,101,140.58</b>	1,046,929,545.57
Add: Net profits attributable to owners of parent for the period	<b>284,370,384.48</b>	-50,828,456.99
Less: Appropriation to statutory surplus reserve	<b>28,709,191.97</b>	
Ordinary shares dividends payable	<b>15,083,712.00</b>	8,999,948.00
Undistributed profits at the end of the period	<b>1,227,678,621.09</b>	987,101,140.58

(2) Other description

According to the 2024 profit distribution plan considered and approved by the Board of the Company on 27 March 2025 and at the general meeting on 29 May 2025, the Company distributed total dividends of RMB15,083,712.00. The said dividends have been paid.

**(II) Notes to the Consolidated Income Statement**1. *Operating revenue/operating cost*(1) Breakdown

Items	Amounts for the period		Amounts for the same period of last year	
	Revenue	Cost	Revenue	Cost
Revenue from principal business	<b>1,656,244,100.79</b>	<b>1,074,591,492.48</b>	1,079,409,094.67	827,684,215.95
Other operating revenue	<b>10,891,042.91</b>	<b>7,968,576.91</b>	11,340,831.45	9,941,676.71
Total	<b>1,667,135,143.70</b>	<b>1,082,560,069.39</b>	1,090,749,926.12	837,625,892.66
Including: Revenue from contracts with customers	<b>1,667,135,143.70</b>	<b>1,082,560,069.39</b>	1,090,749,926.12	837,625,892.66

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(II) Notes to the Consolidated Income Statement** (Continued)1. *Operating revenue/operating cost* (Continued)

## (2) Breakdown of revenue

## 1) Breakdown of revenue from contracts with customers by type of goods or services

Items	Amounts for the period		Amounts for the same period of last year	
	Revenue	Cost	Revenue	Cost
Rail fastening system	1,283,928,262.82	719,433,683.81	674,207,741.98	440,134,990.79
Welding wire	308,170,689.06	305,829,005.98	310,594,437.62	310,635,930.23
Railway sleepers	64,145,148.91	49,328,802.69	92,325,995.36	74,840,013.96
Others	10,891,042.91	7,968,576.91	13,621,751.16	12,014,957.68
Sub-total	1,667,135,143.70	1,082,560,069.39	1,090,749,926.12	837,625,892.66

## 2) Breakdown of revenue from contracts with customers by region of operation

Items	Amounts for the period		Amounts for the same period of last year	
	Revenue	Cost	Revenue	Cost
Domestic	1,616,371,301.47	1,034,779,480.14	1,048,563,967.64	800,072,520.45
Overseas	50,763,842.23	47,780,589.25	42,185,958.48	37,553,372.21
Sub-total	1,667,135,143.70	1,082,560,069.39	1,090,749,926.12	837,625,892.66

## 3) Breakdown of revenue from contracts with customers by time of transfer of goods or services

Item	Amounts for the period	Amounts for the same period of last year
Revenue recognised at a point of time	1,667,135,143.70	1,090,749,926.12
Sub-total	1,667,135,143.70	1,090,749,926.12

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(II) Notes to the Consolidated Income Statement** (Continued)1. *Operating revenue/operating cost* (Continued)(3) Information related to the performance obligations

Items	Time to fulfill performance obligations	Important payment terms	Nature of goods the Company undertook to transfer	Whether it is the main responsible person	Amount expected to be refunded to customers by the Company	Types of quality assurance provided by the Company and related obligations
Sales of goods	At the time of goods delivery	Payment terms are generally based on contract agreement	Rail fastening system, welding wire and railway sleeper	Yes	None	Assurance-type quality warranty
Provision of services	At the time of service delivery	Monthly settlement or based on contract agreement	Processing services, testing services, and commissioned processing welding wire	Yes	None	Assurance-type quality warranty
Sales of goods	At the time of goods delivery	Generally monthly settlement	Power products	No	None	None

(4) The revenue recognised during the period and included in the book value of contract liabilities at the beginning of the period was RMB7,482,396.97.

2. *Taxes and surcharges*

Items	Amounts for the period	Amounts for the same period of last year
Urban maintenance and construction tax	<b>6,270,830.02</b>	2,194,521.87
Education surcharge	<b>2,701,723.28</b>	959,272.31
Local education surcharge	<b>1,801,149.48</b>	639,514.87
Stamp duty	<b>897,370.15</b>	779,933.90
Real estate tax	<b>5,392,049.84</b>	5,279,274.63
Land use tax	<b>3,695,383.66</b>	3,617,928.97
Others	<b>7.68</b>	3,197.79
Total	<b>20,758,514.11</b>	13,473,644.34

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(II) Notes to the Consolidated Income Statement** (Continued)

## 3. Sales expenses

Items	Amounts for the period	Amounts for the same period of last year
Payroll	<b>10,334,093.62</b>	10,509,995.10
Travel expenses	<b>1,547,151.28</b>	1,961,285.30
Product test & certification costs	<b>5,507,700.50</b>	2,955,349.62
Entertainment charge	<b>2,336,857.67</b>	3,221,872.39
Others	<b>2,825,265.81</b>	2,029,401.22
Total	<b>22,551,068.88</b>	20,677,903.63

## 4. Management expenses

## (1) Breakdown

Items	Amounts for the period	Amounts for the same period of last year
Payroll	<b>27,863,761.01</b>	28,641,315.57
Technology transfer fee	<b>25,827,152.86</b>	10,913,164.57
Depreciation and amortisation	<b>29,644,309.71</b>	26,941,677.07
Agency fee	<b>4,202,703.38</b>	4,281,805.47
Others	<b>23,622,412.27</b>	21,750,246.62
Total	<b>111,160,339.23</b>	92,528,209.30

(2) The management expenses for the year included auditors' remuneration of RMB1,509,400, of which the audit fee for 2025 amounted to RMB1,132,000, and the interim audit fee for 2025 was RMB377,400. The management expenses for 2024 included auditors' remuneration of RMB1,509,400.

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(II) Notes to the Consolidated Income Statement** (Continued)5. *Research and development expenses*

Items	Amounts for the period	Amounts for the same period of last year
Material costs	<b>29,092,106.03</b>	16,293,905.28
Payroll	<b>8,573,282.91</b>	6,634,105.08
Electricity charges	<b>6,346,202.97</b>	3,252,214.92
Depreciation	<b>1,003,189.34</b>	627,373.47
Others	<b>749,609.42</b>	612,452.08
Total	<b>45,764,390.67</b>	27,420,050.83

6. *Finance costs*

Items	Amounts for the period	Amounts for the same period of last year
Interest expense	<b>18,089,660.34</b>	18,054,168.77
Less: Interest income	<b>1,673,469.54</b>	1,275,562.65
Exchange gains or losses	<b>266,460.94</b>	493,955.45
Others	<b>488,838.78</b>	773,555.72
Total	<b>17,171,490.52</b>	18,046,117.29

7. *Other income*

Items	Amounts for the period	Amounts for the same period of last year	Amounts included in non-recurring profit and loss for the period
Government grants related to assets	<b>232,600.00</b>	232,600.00	232,600.00
Government grants related to income	<b>255,826.00</b>	354,231.66	255,826.00
Refund of handling charges of individual income tax	<b>33,005.06</b>	137,933.78	
Additional value-added tax credit	<b>2,080,022.19</b>	3,370,708.63	
Total	<b>2,601,453.25</b>	4,095,474.07	488,426.00

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(II) Notes to the Consolidated Income Statement** (Continued)8. *Investment gains*

Items	Amounts for the period	Amounts for the same period of last year
Gains from long-term equity investment calculated under equity method	<b>68,682,035.85</b>	23,416,869.85
Investment gains from disposal of financial assets held for trading		-8,463,056.26
Investment gains from financial assets held for trading during the holding period		313,950.25
Others		-372,132.26
<b>Total</b>	<b>68,682,035.85</b>	14,895,631.58

9. *Gains from changes in fair value*

Item	Amounts for the period	Amounts for the same period of last year
Financial assets held for trading		-59,643,427.68
<b>Total</b>		-59,643,427.68

10. *Loss on credit impairment*

Item	Amounts for the period	Amounts for the same period of last year
Loss on bad debts	<b>-27,073,944.20</b>	-64,176,392.08
<b>Total</b>	<b>-27,073,944.20</b>	-64,176,392.08

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(II) Notes to the Consolidated Income Statement** (Continued)11. *Impairment loss of assets*

Items	Amounts for the period	Amounts for the same period of last year
Impairment loss of inventories	<b>-18,920,885.58</b>	-18,789,112.87
Impairment loss of contract assets	<b>-3,972,876.13</b>	-2,441,690.88
Impairment loss of goodwill	<b>-54,344,674.73</b>	-13,571,673.81
Total	<b>-77,238,436.44</b>	-34,802,477.56

12. *Non-operating incomes*

Items	Amounts for the period	Amounts for the same period of last year	Amounts included in non-recurring profit and loss for the period
Export insurance subsidies	<b>99,362.88</b>	71,022.24	99,362.88
Compensation	<b>12,778.10</b>	60,000.00	12,778.10
Amount not subject to payment		1,395,695.33	
Others	<b>68.99</b>	1,265.81	68.99
Total	<b>112,209.97</b>	1,527,983.38	112,209.97

13. *Non-operating expenses*

Items	Amounts for the period	Amounts for the same period of last year	Amounts included in non-recurring profit and loss for the period
Losses on write-off for damage of non-current assets	<b>245,612.51</b>	499,628.89	245,612.51
Uncollectible amount	<b>97,611.05</b>	2,334.03	97,611.05
Overdue payments	<b>244,906.60</b>	96,746.53	244,906.60
Others	<b>24,307.83</b>	5.03	24,307.83
Total	<b>612,437.99</b>	598,714.48	612,437.99

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(II) Notes to the Consolidated Income Statement** (Continued)14. *Income tax expenses*(1) Breakdown

Items	Amounts for the period	Amounts for the same period of last year
Current income tax expenses	<b>55,380,466.33</b>	17,424,972.16
Deferred income tax expenses	<b>-6,571,500.63</b>	-24,100,562.07
Total	<b>48,808,965.70</b>	-6,675,589.91

(2) Accounting profit and adjustment process of income tax expenses

Items	Amounts for the period	Amounts for the same period of last year
Total profit	<b>333,640,151.34</b>	-57,723,814.70
Income tax expenses calculated at the applicable tax rates of the parent	<b>50,046,022.70</b>	-8,658,572.20
Effect of different tax rates applicable to subsidiaries	<b>427,324.90</b>	-1,498,952.43
Effect of adjusting income tax from prior periods	<b>18,428.80</b>	1,650,496.30
Effect of non-taxable income	<b>-10,302,305.38</b>	-3,512,530.48
Effect of non-deductible costs, expenses and losses	<b>381,112.58</b>	506,228.75
Effect of utilising deductible temporary differences of unrecognised deferred income tax assets or deductible losses in prior periods	<b>-1,891.05</b>	-2,937.06
Effect of deductible temporary differences of unrecognised deferred income tax assets or deductible losses during the period	<b>1,586,262.78</b>	4,465,072.45
Effect of additional deduction on research and development expense and salaries of disabled employees	<b>-1,497,690.84</b>	-1,660,146.31
Others	<b>8,151,701.21</b>	2,035,751.07
Income tax expenses	<b>48,808,965.70</b>	-6,675,589.91

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(III) Notes to Items of Consolidated Statement of Cash Flows**1. *Other cash received or paid relating to operating activities, investing activities and financing activities*(1) Other cash received relating to operating activities

Items	Amounts for the period	Amounts for the same period of last year
Performance bond received	<b>22,547,907.27</b>	33,693,234.93
Security deposits received	<b>4,107,540.41</b>	3,200,000.00
Others	<b>3,378,596.49</b>	3,960,556.55
Total	<b>30,034,044.17</b>	40,853,791.48

(2) Other cash payment relating to operating activities

Items	Amounts for the period	Amounts for the same period of last year
Payment of expenses of the period	<b>45,682,092.17</b>	46,999,326.21
Payment for performance bond	<b>61,482,645.13</b>	40,731,340.84
Others	<b>7,921,093.09</b>	7,690,777.14
Total	<b>115,085,830.39</b>	95,421,444.19

(3) Other cash payment relating to investing activities

Item	Amounts for the period	Amounts for the same period of last year
Payment for the subscription of structured deposits	<b>50,000,000.00</b>	
Total	<b>50,000,000.00</b>	

(4) Other cash payment relating to financing activities

Items	Amounts for the period	Amounts for the same period of last year
Payment for repurchase of treasury stock	<b>3,041,479.92</b>	24,878,196.19
Payment of leases	<b>700,000.00</b>	700,000.00
Total	<b>3,741,479.92</b>	25,578,196.19

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(III) Notes to Items of Consolidated Statement of Cash Flows** (Continued)

## 2. Supplemental information on the statement of cash flows

Supplemental information	Amounts for the period	Amounts for the same period of last year
(1) Net profit adjusted to cash flows from operating activities:		
Net profit	<b>284,831,185.64</b>	-51,048,224.79
Add: Provision for impairment on assets	<b>77,238,436.44</b>	34,802,477.56
Provisions for credit impairment	<b>27,073,944.20</b>	64,176,392.08
Depreciation of fixed assets, depreciation of right-of-use assets, depletion of oil and gas assets and depreciation of bearer biological assets	<b>60,550,217.90</b>	57,150,964.60
Amortisation of intangible assets	<b>3,629,116.55</b>	3,584,270.73
Amortisation of long-term deferred expenses	<b>183,498.96</b>	183,498.96
Losses on disposal of fixed assets, intangible assets and other long-term assets ("–" for gains)		
Losses on write-off of fixed assets ("–" for gains)	<b>245,612.51</b>	499,628.89
Losses on changes in fair value ("–" for gains)		59,643,427.68
Finance costs ("–" for gains)	<b>18,356,121.28</b>	18,548,124.22
Investment losses ("–" for gains)	<b>-68,682,035.85</b>	-15,080,215.97
Decrease in deferred income tax assets ("–" for increase)	<b>-6,548,086.90</b>	-24,075,256.13
Increase in deferred income tax liabilities ("–" for decrease)	<b>-23,413.73</b>	-25,305.94
Decrease in inventories ("–" for increase)	<b>149,562,417.94</b>	-104,032,725.62
Decrease in operational receivables ("–" for increase)	<b>-391,700,924.30</b>	-82,713,239.80
Increase in operational payables ("–" for decrease)	<b>110,344,314.45</b>	56,308,432.22
Others		
Net cash flows from operating activities	<b>265,060,405.09</b>	17,922,248.69
(2) Significant investment and financing activities not related to cash receipts and payments:		
Debt converted to capital		
Convertible company bonds due within one year		
Addition of right-of-use assets		
(3) Net change in cash and cash equivalents:		
Balance of cash at the end of the period	<b>229,622,953.43</b>	100,974,352.18
Less: Balance of cash at the beginning of the period	<b>100,974,352.18</b>	90,061,255.64
Add: Balance of cash equivalents at the end of the period		
Less: Balance of cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	<b>128,648,601.25</b>	10,913,096.54

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(III) Notes to Items of Consolidated Statement of Cash Flows** (Continued)

## 3. Composition of cash and cash equivalents

## (1) Breakdown

Items	Closing balance	Closing balance of last year
1) Cash	<b>229,622,953.43</b>	100,974,352.18
Including: Cash on hand	<b>52,596.94</b>	33,372.44
Bank deposit readily available for payment	<b>229,570,356.49</b>	100,940,979.74
Other monetary fund readily available for payment		
Central bank deposit available for payment		
Interbank deposit		
Interbank lending		
2) Cash equivalents		
Including: Bond investment due in three months		
3) Closing balance of cash and cash equivalents	<b>229,622,953.43</b>	100,974,352.18
Including: Restricted cash and cash equivalents used by parent or group subsidiaries		

## (2) Monetary funds that are not cash and cash equivalents

Items	Closing balance	Closing balance of last year	Reasons for not belonging to cash and cash equivalents
Bank deposits	<b>50,000,000.00</b>		Not readily available for payment
Other monetary fund	<b>62,303,873.13</b>	56,874,400.93	Not readily available for payment
Sub-total	<b>112,303,873.13</b>	56,874,400.93	

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(III) Notes to Items of Consolidated Statement of Cash Flows** (Continued)4. *Changes in liabilities relating to financing activities*

Items	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term borrowings	125,640,149.32	76,620,804.50	2,363,584.96	158,763,584.96	24,840,149.32	21,020,804.50
Long-term borrowings (including long-term borrowings due within one year)	476,551,000.00	225,000,000.00	15,696,438.29	199,264,438.29		517,983,000.00
Lease liabilities (including lease liabilities due within one year)	1,244,731.55		29,637.09	642,201.83		632,166.81
Sub-total	603,435,880.87	301,620,804.50	18,089,660.34	358,670,225.08	24,840,149.32	539,635,971.31

5. *Significant activities that do not involve cash receipt and payment*

Items	Amounts for the period	Amounts for the same period of last year
Transferred endorsed commercial bill	<b>170,054,991.57</b>	215,983,407.77
Including: Payment for goods	<b>163,871,769.00</b>	208,585,894.60
Payment for purchase of long-term assets such as fixed assets	<b>6,183,222.57</b>	7,397,513.17

## Notes to the Financial Statements

2025

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)**(IV) Others**1. *Monetary items in foreign currencies*(1) Breakdown

Items	Foreign currency balance at the end of the period	Exchange rate	Balance translated into RMB at the end of the period
Monetary capital			<b>7,924,174.42</b>
Including: US Dollar	<b>1,127,119.00</b>	<b>7.0288</b>	<b>7,922,294.03</b>
HK Dollar	<b>2,081.92</b>	<b>0.9032</b>	<b>1,880.39</b>
Accounts receivable			<b>1,446,217.77</b>
Including: US Dollar	<b>205,756.00</b>	<b>7.0288</b>	<b>1,446,217.77</b>
Other receivables			<b>125,031.95</b>
Including: HK Dollar	<b>138,432.19</b>	<b>0.9032</b>	<b>125,031.95</b>

2. *Lease*(1) The Company as a lessee

- 1) For details of relevant information about right-of-use assets, see Note V(l) 14 to these financial statements.
- 2) For details of the Company's accounting policies for short-term leases and low-value asset leases, see Note III(XXVII) to these financial statements. The short-term lease expenses and low-value asset lease expenses through profit or loss for the period are as follows:

Item	Amounts for the period	Amounts for the same period of last year
Short-term lease expenses	<b>1,956,261.50</b>	1,663,580.13
Total	<b>1,956,261.50</b>	1,663,580.13

- 3) Profit or loss and cash flows related to the lease for the period

Item	Amounts for the period	Amounts for the same period of last year
Interest expenses of lease liability	<b>29,637.09</b>	48,631.35
Total cash outflow related to the lease	<b>2,565,960.93</b>	2,363,580.13

- 4) For the analysis of the maturity of lease liabilities and the corresponding liquidity risk management, see Note IX(l) to these financial statements.

## Notes to the Financial Statements

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**VI. RESEARCH AND DEVELOPMENT EXPENSES**

Items	Amounts for the period	Amounts for the same period of last year
Material costs	<b>29,092,106.03</b>	16,293,905.28
Payroll	<b>8,573,282.91</b>	6,634,105.08
Electricity charges	<b>6,346,202.97</b>	3,252,214.92
Depreciation	<b>1,003,189.34</b>	627,373.47
Others	<b>749,609.42</b>	612,452.08
Total	<b>45,764,390.67</b>	27,420,050.83
Including: Expensed research and development expenses	<b>45,764,390.67</b>	27,420,050.83

**VII. EQUITY IN OTHER ENTITIES****(I) Composition of the Enterprise Group**

- The Company has included nine subsidiaries in the consolidation scope for the consolidated financial statements, i.e. Hebei Gaocheng District Yichen Railway Engineering Equipment Co., Ltd.\* (石家莊市藁城區翼辰鐵路工務器材有限公司) (hereinafter referred to as Yichen Railway Engineering Equipment), Yichen Welding, Yichen Packaging, Yichen Corporate Management, Hebei Yichen Jinzhao Railway Technology Co., Ltd.\* (河北翼辰金兆軌道科技有限公司) (hereinafter referred to as Yichen Jinzhao), Xingtai Juneng, Hebei Zhongke Yichen New Material Research Co., Ltd.\* (河北中科翼辰新材料研究有限公司) (hereinafter referred to as Zhongke Yichen New Material), Yichen Hong Kong Trading and Guizhou Juneng Railway Transit Co., Ltd.\* (貴州炬能軌道交通有限公司) (hereinafter referred to as Guizhou Juneng).

## Notes to the Financial Statements

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**VII. EQUITY IN OTHER ENTITIES** *(Continued)***(I) Composition of the Enterprise Group** *(Continued)*2. *General information of significant subsidiaries*

Name of subsidiary	Place of registration and principal place of business	Type of legal person	Paid-in capital (RMB ten thousand)	Nature of business	Percentage of shareholding (%)		Acquisition method
					Direct	Indirect	
Yichen Welding	Shijiazhuang	Limited liability	15,000.00	Manufacturing	100.00		Establishment

**(II) Interests in Joint Ventures or Associates**1. *Significant joint ventures or associates*(1) General information

Name of joint venture or associate	Principal place of business	Place of registration	Nature of business	Percentage of shareholding (%)		Accounting treatment for investments in joint ventures or associates
				Direct	Indirect	
Tieke Yichen	Shijiazhuang	Shijiazhuang	Manufacturing	49.00		Equity method

## Notes to the Financial Statements

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**VII. EQUITY IN OTHER ENTITIES** *(Continued)***(II) Interests in Joint Ventures or Associates** *(Continued)*2. *Key financial information of significant associates*

Items	Closing balance/ balance for the period Tieke Yichen (RMB ten thousand)	Closing balance of last year/balance for the same period of last year Tieke Yichen (RMB ten thousand)
Current assets	<b>62,855.50</b>	52,639.08
Non-current assets	<b>25,423.46</b>	24,678.53
Total assets	<b>88,278.96</b>	77,317.61
Current liabilities	<b>17,396.42</b>	14,057.64
Non-current liabilities	<b>137.19</b>	38.96
Total liabilities	<b>17,533.61</b>	14,096.60
Equity attributable to owners of the parent	<b>70,745.35</b>	63,221.01
Net assets based on shareholding percentage	<b>34,665.22</b>	30,978.29
Adjustment for		
Unrealised profit from intra-group transactions	<b>-67.49</b>	-69.19
Book value of equity investments in associates	<b>34,597.73</b>	30,909.10
Operating revenue	<b>43,423.71</b>	40,980.24
Net profit	<b>9,803.96</b>	8,094.07
Total comprehensive income	<b>9,803.96</b>	8,094.07
Dividends received from associates during the period	<b>1,101.28</b>	1,278.90

## Notes to the Financial Statements

2025

**VIII. GOVERNMENT GRANTS****(I) Government Grants Increased During the Period**

Items	Grants increased during the period
Government grants related to income	255,826.00
Including: Included in other income	255,826.00
Total	255,826.00

**(II) Liabilities that Involve Government Grants**

Item presented in the financial statements	Opening balance	Grants increased during the period	Amounts included in other income during the period	Amounts included in non-operating incomes during the period
Deferred income	4,245,866.67		232,600.00	
Sub-total	4,245,866.67		232,600.00	

Item presented in the financial statements	Amounts of cost offset against during the period	Amounts of assets offset against during the period	Other changes	Closing balance	Relating to assets/income
Deferred income				4,013,266.67	Relating to assets
Sub-total				4,013,266.67	

**(III) Government Grants Credited to the Current Profit or Loss for the Period**

Item	Amounts for the period	Amounts for the same period of last year
Government grants credited to other income	488,426.00	586,831.66
Total	488,426.00	586,831.66

## IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

With the objective of achieving a balance between risks and revenue through risk management, the Company minimises the negative impact of risks to its operating results in order to maximise the interest of its Shareholders and other equity investors. According to the objective set for risk management, the basic strategies of the Company's risk management include the identification and analysis of the Company's exposures to risks, establishment of an appropriate risk tolerance threshold and risk management. In addition, the Company supervises various risks in a timely and reliable manner in order to ensure the exposures are confined in a controlled scope.

During the daily operation, the Company is exposed to various risks associated with the financial instruments, which mainly include credit risk, liquidity risk and market risk. The management has reviewed and approved the policies for managing each of these risks which are summarised below.

### (I) Credit Risk

Credit risk is the risk of financial losses arising from default of the counterparty of the financial instruments.

#### 1. Credit risk management practices

##### (1) Credit risk assessment method

The Company assesses whether credit risk on relevant financial instrument has significantly increased since initial recognition as at each balance sheet date. In determining whether credit risk has significantly increased since initial recognition, the Company takes into consideration reasonable and supportable information available without undue cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk rating and forward-looking information. Based on a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics and by comparing the default risk of financial instruments as at a balance sheet date with that risk on the date of initial recognition, the Company determines the change of default risk of financial instruments over expected life.

When one or more of the following quantitative or qualitative criteria are triggered, the Company believes that the credit risk of financial instruments has significantly increased:

- 1) The quantitative criteria mainly represent an increase of the default probability of the remaining life on the balance sheet date by more than a certain percentage compared with that at the initial recognition;
- 2) The qualitative criteria mainly represent material and adverse changes of the debtor in the operating or financial situation, existing or expected changes in the technical, market, economic or legal environment, which will have a material and adverse impact on the debtor's ability of repayment to the Company.

## Notes to the Financial Statements

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**IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS** *(Continued)***(I) Credit Risk** *(Continued)*1. *Credit risk management practices* *(Continued)*(2) Definition of defaulted asset and credit-impaired asset

When a financial instrument meets one or more of the following conditions, the financial asset will be defined as having defaulted by the Company, whose criteria are consistent with the definition of credit-impaired asset:

- 1) The debtor has significant financial difficulties;
- 2) The debtor breaches the clauses binding on itself in the contract;
- 3) The debtor probably enters bankruptcy or other financial reorganisation;
- 4) The creditor, for economic or contractual reasons related to the debtor's financial difficulties, grants to the debtor concessions that the creditor would not otherwise grant.

2. *Measurement of expected credit loss*

The key parameters for measurement of expected credit loss include probability of default, loss given default and exposure at default. The Company considers the quantitative analysis on historical statistical data (such as counterparty rating, method of security and types of collateral, method of repayment, etc.) and forward-looking information, and establishes the patterns of probability of default, loss given default and exposure at default.

3. **Particulars of the reconciliation of opening and closing balance of provision for losses on financial instruments are set out in the explanation of Notes V(I) 2, V(I) 3, V(I) 4, V(I) 6, V(I) 8 and V(I) 19 to these financial statements.**

## IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

### (I) Credit Risk *(Continued)*

#### 4. Credit risk exposure and concentration of credit risk

Credit risks of the Company arise primarily from monetary capital and receivables. In order to control the relevant risks above, the Company has taken the following measures respectively.

##### (1) Monetary capital

The Company places bank deposits and other monetary capital in financial institutions with high credit ratings, therefore its credit risks are low.

##### (2) Receivables and contract assets

The Company conducts irregular credit assessments on customers who trade on credit terms. Based on the credit assessment results, the Company chooses to trade with recognised and creditworthy customers, and carries out control on the balances of receivables to ensure that the Company's exposure to bad debts is not significant.

As the Company's exposure to accounts receivable spreads over a number of partners and customers, as of 31 December 2025, 42.81% (31 December 2024: 40.29%) of the Company's accounts receivable and contract assets was due from the five largest customers in terms of balance, thus the Company has no significant concentration of credit risk.

The maximum credit risk exposure of the Company is the book value of each financial asset in the balance sheet.

### (II) Liquidity Risk

Liquidity risk is the risk that the Company will encounter shortage of funds in meeting obligations that are settled by delivering cash or other financial assets. It may arise when the Company is not able to sell financial assets at fair value in a timely manner; or the counterparties are not able to repay contractual liabilities; or the Company could be required to pay its liabilities earlier than expected; or the Company could not obtain sufficient cash flow as expected.

For the purpose of controlling the risk, the Company maintains a balance between continuity and flexibility of funding through the combination of several financing methods, such as notes settlement and bank borrowings, as well as optimising financing structure through the combination of long and short-term financing. The Company has obtained banking facilities from several commercial banks to fund the working capital requirements and capital expenditure.

## Notes to the Financial Statements

2025

**IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS** (Continued)**(II) Liquidity Risk** (Continued)*Classification of financial liabilities based on the remaining maturity*

Items	Book value	Undiscounted contractual amount	Closing balance		
			Within 1 year	1 to 3 years	Over 3 years
Bank borrowings	539,003,804.50	556,135,691.31	190,654,371.31	365,481,320.00	
Bills payable	82,642,831.84	82,642,831.84	82,642,831.84		
Accounts payable	445,067,510.15	445,067,510.15	445,067,510.15		
Other payables	16,222,751.33	16,222,751.33	16,222,751.33		
Lease liabilities and lease liabilities due within one year	632,166.81	642,201.83	642,201.83		
Sub-total	1,083,569,064.63	1,100,710,986.46	735,229,666.46	365,481,320.00	

Items	Book value	Undiscounted contractual amount	Closing balance		
			Within 1 year	1 to 3 years	Over 3 years
Bank borrowings	602,191,149.32	628,301,784.06	221,381,714.06	406,920,070.00	
Bills payable	53,000,000.00	53,000,000.00	53,000,000.00		
Accounts payable	391,730,114.86	391,730,114.86	391,730,114.86		
Other payables	19,739,058.41	19,739,058.41	19,739,058.41		
Lease liabilities and lease liabilities due within one year	1,244,731.55	1,284,403.66	642,201.83	642,201.83	
Sub-total	1,067,905,054.14	1,094,055,360.99	686,493,089.16	407,562,271.83	

## IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

### (III) Market Risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk mainly includes interest rate risk and foreign currency risk.

#### 1. *Interest risk*

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest-bearing financial instruments with fixed interest rate expose the Company to fair value interest rate risk, while interest-bearing financial instruments with floating interest rate expose the Company to cash flow interest rate risk. The Company determines the ratio of fixed-rate and floating-rate financial instruments in accordance with market circumstance, and maintains an appropriate portfolio of financial instrument through regular review and monitoring. The Company's exposure to cash flow interest rate risk primarily relates to the Company's bank borrowings with floating interest rate.

As of 31 December 2025, the Company's bank borrowings with floating interest rate totalled RMB399,680,000.00 (31 December 2024: RMB330,820,000.00). Assuming all other variables held constant, a 50 basis points change in interest rates will not have a significant impact on the Company's total profit and shareholders' interests.

#### 2. *Foreign exchange risk*

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company operates in Mainland China, and its main activities are denominated in RMB. Therefore, the Company's exposure to market risk in respect of changes in foreign exchange is not significant.

For the Company's monetary assets and liabilities in foreign currencies at the end of the period, please see the explanation of Note V(IV) 1 to these financial statements.

## Notes to the Financial Statements

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## IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

### (IV) Transfer of Financial Assets

Ways of transfer	Nature of financial assets transferred	Amount of financial assets transferred	Status of derecognition	Judgement basis on status of derecognition
Endorsement	Bills receivable	34,908,095.54	Not yet derecognised	Retains substantially all the risks and rewards
Endorsement and discount	Financing of receivables	17,933,827.09	Derecognised	Transferred substantially all the risks and rewards
Transfer and factoring of accounts receivable	Accounts receivable	29,822,233.11	Not yet derecognised	Retains substantially all the risks and rewards
Transfer and factoring of other non-current assets	Other non-current assets	425,000.00	Not yet derecognised	Retains substantially all the risks and rewards
Sub-total		83,089,155.74		

#### 2. *Derecognition of financial assets due to transfers*

Item	Way of transfer of financial assets	Amount of financial assets derecognised	Gains or losses relating to derecognition
Financing of receivables	Endorsement	17,933,827.09	
Sub-total		17,933,827.09	

#### 3. *The amount of assets and liabilities resulted from transferring financial assets and continuing involvement*

Items	Ways of transfer of assets	Amount of assets resulted from continuing involvement	Amount of liabilities resulted from continuing involvement
Bills receivable	Endorsement	34,908,095.54	35,032,911.18
Accounts receivable	Transfer and factoring	29,822,233.11	41,853,705.97
Other non-current assets	Transfer and factoring	425,000.00	500,000.00
Sub-total		65,155,328.65	77,386,617.15

## X. FAIR VALUE DISCLOSURE

### (I) Breakdown of Fair Value at the End of the Period of Assets and Liabilities Measured at Fair Value

Items	Fair value at the end of the period			Total
	Level 1 Fair value measurement	Level 2 Fair value measurement	Level 3 Fair value measurement	
Recurring fair value measurement				<b>13,965,743.26</b>
1. Financing of receivables			<b>5,768,350.97</b>	<b>5,768,350.97</b>
2. Other equity instruments investment			<b>8,197,392.29</b>	<b>8,197,392.29</b>

### (II) Valuation Techniques Used and Qualitative and Quantitative Information on Key Parameters for Recurring and Non-recurring Level 3 Fair Value Measurements

The financing of receivables within Level 3 fair value measurement held by the Company represent bank acceptance notes receivable which have low credit risk and short remaining terms. The Company determines their fair values based on their nominal balances.

Other equity instruments investment within Level 3 fair value measurement held by the Company represents equity interest in unlisted companies. For unlisted equity instruments investment, the Company estimates fair value by using the market approach in combination with discounted future cash flows. For investees whose operating environment, operating position and financial conditions have no significant changes, these investees are measured at the investment costs as a reasonable estimate of its fair value.

## Notes to the Financial Statements

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**XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS****(I) Related Parties****1. Information on the parent of the Company**

The Company is jointly controlled by natural persons and the ultimate controllers are Zhang Haijun, Zhang Junxia, Zhang Xiaogeng, Zhang Xiaosuo, Zhang Ligang, Wu Jinyu, Zhang Chao, Zhang Lijie, Zhang Lifeng, Zhang Yanfeng, Zhang Libin, Zhang Lihuan, Zhang Ning, Zhang Hong and Zhang Ruiqiu.

**2. For details of the Company's subsidiaries, see Note VII to these financial statements.****3. Information on the joint ventures and associates of the Company**

For details of the Company's significant joint ventures and associates, see Note VII to these financial statements.

**4. Information on other related parties of the Company**

Name of other related parties	Relationship between other related parties and the Company
Zhou Qiujun	Spouse of Zhang Haijun
Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd.	Enterprise controlled by actual controllers and their close family members
Hebei Chenteng Power Sales Co., Ltd.	Enterprise controlled by actual controllers and their close family members
Yin Yanping	Spouse of Zhang Lihuan
Zhou Hao	A supervisor of the Company
Beijing MTR Construction Administration Corporation	A company controlled by Beijing Infrastructure Investment Co., Ltd.* (北京市基礎設施投資有限公司), a shareholder of the Company
Beijing Metro Line 17 Investment Co., Ltd	A company controlled by Beijing Infrastructure Investment Co., Ltd., a shareholder of the Company
Beijing Metro Line 12 Investment Co., Ltd	A company controlled by Beijing Infrastructure Investment Co., Ltd., a shareholder of the Company
Beijing Suburban Railway Integration Development Group Co., Ltd.* (北京市域鐵路融合發展集團有限公司)	A company controlled by Beijing Infrastructure Investment Co., Ltd., a shareholder of the Company

\* For identification purpose only

## Notes to the Financial Statements

2025

**XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS** (Continued)**(II) Related Party Transactions**1. *Related party transactions regarding purchase and sale of goods, provision and acceptance of labour services*(1) Breakdown

- 1) Related party transactions regarding purchase of goods and acceptance of labour services

Related parties	Information on related party transactions	Amounts for the period	Amounts for the same period of last year
Tieke Yichen	Purchase of goods	<b>219,513,908.84</b>	229,770,538.57
Hebei Chenteng Power Sales Co., Ltd.	Electricity supply service	<b>43,190,108.25</b>	39,770,591.19
Total		<b>262,704,017.09</b>	269,541,129.76

- 2) Related party transactions for sales of goods and provision of labour services

Related parties	Information on related party transactions	Amounts for the period	Amounts for the same period of last year
Tieke Yichen	Sales of water, electricity and gas	<b>167,487.77</b>	160,183.49
	Provision of labour services	<b>791,769.19</b>	314,448.85
	Sales of goods	<b>3,978,870.81</b>	2,246,718.22
Sub-total		<b>4,938,127.77</b>	2,721,350.56
Beijing MTR Construction Administration Corporation	Sales of goods	<b>20,454,339.79</b>	
Beijing Metro Line 17 Investment Co., Ltd	Sales of goods	<b>8,668,619.60</b>	
Beijing Metro Line 12 Investment Co., Ltd	Sales of goods	<b>87,638.95</b>	
Beijing Suburban Railway Integration Development Group Co., Ltd.	Sales of goods	<b>467,309.75</b>	
Total		<b>34,616,035.86</b>	

## Notes to the Financial Statements

2025

**XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS** (Continued)**(II) Related Party Transactions** (Continued)2. *Related party leases*The Company as a lessee

Name of lessors	Types of leased assets	Amount for the period			
		Rental expenses for short term leases and leases of low-value assets using the simplified approach and variable lease payments not included in the measurement of lease liabilities	Recognised right-of-use assets lease		
			Rental paid (excluding variable lease payments not included in the measurement of lease liabilities)	Increased principal amount of lease liabilities	Recognised interest expenses
Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd.	Building		642,201.83		29,637.09
Zhang Haijun	Building	432,000.00			

Name of lessors	Types of leased assets	Amounts for the same period of last year			
		Rental expenses for short term leases and leases of low value assets using the simplified approach and variable lease payments not included in the measurement of lease liabilities	Recognised right-of-use assets lease		
			Rental paid (excluding variable lease payments not included in the measurement of lease liabilities)	Increased principal amount of lease liabilities	Recognised interest expenses
Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd.	Building		642,201.83	1,838,302.03	48,631.35
Zhang Haijun	Building	216,000.00			

## Notes to the Financial Statements

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## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (II) Related Party Transactions *(Continued)*

#### 3. Guarantee with related parties

The Company and its subsidiaries as the secured parties

Guarantors	Guaranteed amount	Commencement		Guarantee fully fulfilled
		date of the guarantee	Expiry date of the guarantee	
Zhang Haijun [Note 1]	RMB20,683,000	20 March 2024	18 March 2030	No
Zhang Lifeng [Note 2]	RMB5,000,000	30 July 2025	9 September 2026	No
Zhang Haijun, Zhou Qiuju [Note 3]	RMB217,228,700	27 July 2023	13 October 2027	No

[Note 1] Zhang Haijun signed a maximum guarantee contract of up to RMB550 million with China Guangfa Bank Co., Ltd. Shijiazhuang Branch on behalf of the Company. As of 31 December 2025, the borrowing balance with China Guangfa Bank Co., Ltd. Shijiazhuang Branch was RMB20.683 million.

[Note 2] Zhang Lifeng signed a maximum guarantee contract of up to RMB10 million with Bank of China Limited Xingtai Branch on behalf of the Company. As of 31 December 2025, the borrowing balance with Bank of China Limited Xingtai Branch was RMB5 million.

[Note 3] Zhang Haijun and Zhou Qiuju provided joint and several guarantees of up to RMB550 million for the signing of RMB capital loan contracts, foreign exchange capital loan contracts, bank acceptance agreements, letter of credit issuance contracts, letter of guarantee issuance agreements and other legal documents between the Company and China Construction Bank Corporation Gaocheng Branch.

#### 4. Compensation to key management personnel

Item	Amounts for the period	Amounts for the same period of last year
Compensation to key management personnel	<b>3,314,255.74</b>	3,483,877.41

## Notes to the Financial Statements

2025

**XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS** (Continued)**(II) Related Party Transactions** (Continued)

## 5. Remunerations of directors and supervisors

Items	Amounts for the period				Total
	Salaries, allowances and subsidies	Pension insurance	Housing provident funds	Other social insurance	
<b>Executive director:</b>					
Zhang Haijun	479,439.96				479,439.96
Wu Jinyu	252,860.04	38,465.28	12,612.00	20,584.80	324,522.12
Zhang Chao	242,859.96	38,465.28	12,114.00	20,584.80	314,024.04
Zhang Lihuan	297,680.04	38,465.28	15,144.00	15,225.06	366,514.38
Ma Xuehui	127,040.04	7,693.44	3,126.00	6,273.24	144,132.72
<b>Independent non-executive director:</b>					
Jip Ki Chi	160,756.12				160,756.12
Zhang Liguo	39,999.96				39,999.96
Wang Fujun	39,999.96				39,999.96
<b>Supervisor:</b>					
Hu Hebin [Note 1]					
Liu Jianbin	117,200.04	18,687.96	5,916.00	9,839.58	151,643.58
Guan En	117,200.04	18,624.00	5,868.00	9,905.46	151,597.50
Zhou Hao [Note 2]	81,200.04	8,965.92	3,126.00	6,470.64	99,762.60
<b>Non-director Chief Executive Officer</b>					
Zhang Lifeng	312,680.04	38,465.28	15,522.00	15,225.06	381,892.38
<b>Total</b>	<b>2,268,916.24</b>	<b>207,832.44</b>	<b>73,428.00</b>	<b>104,108.64</b>	<b>2,654,285.32</b>

## Notes to the Financial Statements

2025

**XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS** (Continued)  
**(II) Related Party Transactions** (Continued)

5. *Remunerations of directors and supervisors* (Continued)

Items	Amounts for the same period of last year				Total
	Salaries, allowances and subsidies	Pension insurance	Housing provident funds	Other social insurance	
<b>Executive director:</b>					
Zhang Haijun	479,439.96				479,439.96
Wu Jinyu	253,660.04	37,637.28	12,504.00	21,592.02	325,393.34
Zhang Chao	243,659.96	37,637.28	12,006.00	14,445.72	307,748.96
Zhang Lihuan	297,680.04	37,637.28	9,186.00	9,800.58	354,303.90
Ma Xuehui	126,640.04	7,527.48	3,024.00	6,676.62	143,868.14
<b>Independent non-executive director:</b>					
Jip Ki Chi	161,342.15				161,342.15
Zhang Liguo	39,999.96				39,999.96
Wang Fujun	39,999.96				39,999.96
<b>Supervisor:</b>					
Hu Hebin [Note 1]	245,286.56	34,500.84	12,005.00	19,926.68	311,719.08
Liu Jianbin	116,800.04	19,178.64	5,496.00	7,982.77	149,457.45
Guan En	116,400.04	18,922.68	5,460.00	9,237.36	150,020.08
Zhou Hao [Note 2]	6,666.67	798.58	257.00	618.83	8,341.08
<b>Non-director Chief Executive Officer</b>					
Zhang Lifeng	312,680.04	34,500.84	7,902.00	9,028.53	364,111.41
<b>Total</b>	<b>2,440,255.46</b>	<b>228,340.90</b>	<b>67,840.00</b>	<b>99,309.11</b>	<b>2,835,745.47</b>

[Note 1] Hu Hebin retired as Supervisor of the Company on 2 December 2024

[Note 2] Zhou Hao served as Supervisor of the Company since 2 December 2024

## Notes to the Financial Statements

2025

**XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS** *(Continued)***(II) Related Party Transactions** *(Continued)***6. Five highest paid employees**

The five employees whose emoluments were the highest for the year include 2 (2024: 2) Directors whose emolument details are stated in Note XI(II) 5 to these financial statements. The details of the total remunerations of the remaining 3 (2024: 3) non-director employees are as follows:

Items	Amounts for the period	Amounts for the same period of last year
Salaries, bonuses, allowances and subsidies	<b>1,070,840.04</b>	1,070,840.04
Housing provident funds	<b>15,522.00</b>	7,902.00
Pension insurance	<b>38,465.28</b>	34,500.84
Other social insurance	<b>15,225.06</b>	9,028.53
Total	<b>1,140,052.38</b>	1,122,271.41

The emoluments of 3 (2024: 3) non-director employees fell within the following bands:

Item	Number for the period	Number for the same period of last year
HKD nil – HKD1,000,000	<b>3</b>	3

7. The above related parties' transactions include connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange.

## Notes to the Financial Statements

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**XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS** (Continued)**(III) Amount Due from/to Related Parties**

## 1. Amount due from related parties

Name of items	Related party	Closing balance		Closing balance of last year	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Tieke Yichen	7,821,036.74	303,181.42	15,177,843.70	529,390.37
	Beijing MTR Construction Administration Corporation	23,412,273.10	468,245.46		
	Beijing Metro Line 17 Investment Co., Ltd	9,795,540.15	195,910.80		
	Beijing Metro Line 12 Investment Co., Ltd	99,032.01	1,980.64		
	Beijing Suburban Railway Integration Development Group Co., Ltd.	501,657.00	10,033.14		
Sub-total		41,629,539.00	979,351.46	15,177,843.70	529,390.37
Prepayments	Hebei Chenteng Power Sales Co., Ltd	8,359,782.28		2,316,221.09	
Sub-total		8,359,782.28		2,316,221.09	
Other receivables	Yin Yanping	36,800.00	11,040.00	36,800.00	3,680.00
	Zhou Hao	5,790.37	115.81		
Sub-total		42,590.37	11,155.81	36,800.00	3,680.00
Other non-current assets	Beijing MTR Construction Administration Corporation	693,402.11	104,010.32		
	Beijing Suburban Railway Integration Development Group Co., Ltd.	26,403.00	3,960.45		
Sub-total		719,805.11	107,970.77		

## 2. Amount due to related parties

Name of items	Related party	Closing balance	Closing balance of last year
Accounts payable	Tieke Yichen	218,082,460.17	161,331,747.32
Sub-total		218,082,460.17	161,331,747.32
Bills payable	Tieke Yichen	33,000,000.00	35,000,000.00
Sub-total		33,000,000.00	35,000,000.00

## Notes to the Financial Statements

2025

**XII. COMMITMENTS AND CONTINGENCIES****(I) Significant Commitments**

As of the balance sheet date, the Company has no significant commitments that need to be disclosed.

**(II) Contingencies**

As of the balance sheet date, the Company has no significant contingencies that need to be disclosed.

**XIII. EVENTS AFTER THE BALANCE SHEET DATE****(I) Material Non-adjustment Events**

On 12 January 2026, the Company and certain shareholders of Hebei Chenxiang Electricity Sales Co., Ltd.\* (河北辰翔售電有限公司) (hereinafter referred to as the Vendors) entered into an equity transfer agreement (the "Equity Transfer Agreement"), pursuant to which the Company conditionally agreed to acquire 86.22% of the equity interest in Hebei Chenxiang Electricity Sales Co., Ltd. held by the Vendors for a consideration of RMB135,000,000 subject to the terms and conditions of the Equity Transfer Agreement. The Company will convene an extraordinary general meeting for independent shareholders, who are not materially interested in the Equity Transfer Agreement and the transactions contemplated thereunder, to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder. Please refer to the Company's announcement dated 12 January 2026 for details.

**(II) Profit Distribution After the Balance Sheet Date**

Profits or dividends proposed to distribute 9,966,024

Profits or dividends declared to distribute after review and approval On 26 March 2026, the Board of Directors of the Company convened a meeting to approve the profit distribution scheme for the year 2025, pursuant to which the Company intended to distribute RMB0.0111 per share in cash dividend to all shareholders, amounting to total cash dividend of RMB9,966,024. The above preliminary scheme for profit distribution is subject to review and approval at the general meeting of the Company.

**XIV. OTHER SIGNIFICANT EVENTS****Segment Information**

The major business of the Company is the manufacturing and sales of rail fastening system, welding wire and railway sleeper products. The Company regards this business as a whole when implementing management and assessing operating results. Accordingly, the Company is not required to disclose segment information. Details of the Company's revenue breakdown are set out in Note V(II) 1 to these financial statements.

## Notes to the Financial Statements

2025

**XV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY****(I) Notes to Items of the Balance Sheet of the Parent Company****1. Accounts receivable****(1) Breakdown****1) Breakdown by category**

Categories	Book balance		Closing balance		Book value
	Amount	Proportion (%)	Amount	Percentage of provision (%)	
Provision for bad debts made individually	9,184,008.58	0.53	9,184,008.58	100.00	
Provision for bad debts made collectively	1,715,153,626.83	99.47	298,293,150.32	17.39	1,416,860,476.51
<b>Total</b>	<b>1,724,337,635.41</b>	<b>100.00</b>	<b>307,477,158.90</b>	<b>17.83</b>	<b>1,416,860,476.51</b>

Categories	Book balance		Closing balance of last year		Book value
	Amount	Proportion (%)	Amount	Percentage of provision (%)	
Provision for bad debts made individually	9,192,534.77	0.67	9,192,534.77	100.00	
Provision for bad debts made collectively	1,358,386,987.95	99.33	270,925,525.94	19.94	1,087,461,462.01
<b>Total</b>	<b>1,367,579,522.72</b>	<b>100.00</b>	<b>280,118,060.71</b>	<b>20.48</b>	<b>1,087,461,462.01</b>

## Notes to the Financial Statements

2025

**XV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY** *(Continued)***(I) Notes to Items of the Balance Sheet of the Parent Company** *(Continued)*1. *Accounts receivable* *(Continued)*(1) Breakdown *(Continued)*

## 2) Trade receivables with provision for bad debts made collectively

Items	Book balance	Closing balance	
		Provision for bad debts	Percentage of provision (%)
Grouped by payment	1,507,529,116.66	246,736,522.75	16.37
Grouped by retention monies	149,041,118.29	51,556,627.57	34.59
Group of related parties within the scope of combination	58,583,391.88		
Sub-total	1,715,153,626.83	298,293,150.32	17.39

## 3) Accounts receivables – grouped by payment, trade receivables with provision for bad debts against the expected credit loss rate comparison table

Ageing	Book balance	Closing balance	
		Provision for bad debts	Percentage of provision (%)
Within 1 year	955,273,588.35	19,105,471.77	2.00
1 to 2 years	172,917,353.37	17,291,735.34	10.00
2 to 3 years	146,333,981.37	43,900,194.41	30.00
3 to 4 years	114,247,846.72	57,123,923.36	50.00
4 to 5 years	47,205,744.88	37,764,595.90	80.00
Over 5 years	71,550,601.97	71,550,601.97	100.00
Total	1,507,529,116.66	246,736,522.75	16.37

## Notes to the Financial Statements

2025

**XV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY** (Continued)**(I) Notes to Items of the Balance Sheet of the Parent Company** (Continued)1. **Accounts receivable** (Continued)(1) **Breakdown** (Continued)

- 4) Accounts receivables – grouped by retention monies, trade receivables with provision for bad debts against the expected credit loss rate comparison table

Ageing	Closing balance		
	Book balance	Provision for bad debts	Percentage of provision (%)
Within 1 year	50,313,672.09	7,547,050.81	15.00
1 to 2 years	35,216,996.45	5,282,549.47	15.00
2 to 3 years	19,685,675.30	5,905,702.59	30.00
3 to 4 years	19,018,981.26	9,509,490.63	50.00
4 to 5 years	7,469,795.62	5,975,836.50	80.00
Over 5 years	17,335,997.57	17,335,997.57	100.00
Total	149,041,118.29	51,556,627.57	34.59

(2) **Ageing analysis**

Ageing	Closing balance			Closing balance of last year		
	Book balance	Provision for bad debts	Percentage of provision (%)	Book balance	Provision for bad debts	Percentage of provision (%)
Within 1 year	1,027,708,825.56	26,652,522.58	2.59	625,578,837.16	18,171,035.97	2.90
1 to 2 years	231,802,418.32	22,574,284.81	9.74	314,762,433.77	30,558,718.17	9.71
2 to 3 years	178,400,558.29	49,805,897.00	27.92	201,983,337.34	60,458,653.22	29.93
3 to 4 years	133,679,684.62	66,633,413.99	49.85	87,143,205.41	43,571,602.71	50.00
4 to 5 years	54,675,540.50	43,740,432.40	80.00	53,768,291.99	43,014,633.59	80.00
Over 5 years	98,070,608.12	98,070,608.12	100.00	84,343,417.05	84,343,417.05	100.00
Total	1,724,337,635.41	307,477,158.90	17.83	1,367,579,522.72	280,118,060.71	20.48

The ageing calculation of accounts receivable – grouped by retention monies starts at the expiry of retention monies, while the ageing calculation of accounts receivable – grouped by payment starts on the day when revenue is recognised and accounts receivable – payment occurs. The amount that occurs first has priority in settlement upon transfer of funds. The Company generally grants to customers a credit term based on the contract agreed between the Company and the customer. Overdue receivables are regularly reviewed by the management.

## Notes to the Financial Statements

2025

**XV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY** *(Continued)***(I) Notes to Items of the Balance Sheet of the Parent Company** *(Continued)*1. **Accounts receivable** *(Continued)*(3) Changes in provision for bad debt

Items	Opening balance	Provision	Changes in amount during the period			Closing balance
			Recovery or reversal	Write-off	Others	
Provision for bad debts made individually	9,192,534.77		8,526.19			<b>9,184,008.58</b>
Provision for bad debts made collectively	270,925,525.94	26,487,830.19		264,865.63	1,144,659.82	<b>298,293,150.32</b>
Total	280,118,060.71	26,487,830.19	8,526.19	264,865.63	1,144,659.82	<b>307,477,158.90</b>

(4) Actual write-off of accounts receivable during the period

Item	Amount written off
Actual write-off of accounts receivable	<b>264,865.63</b>

(5) Top 5 entities by the amount of accounts receivable and contract assets

The total amount attributable to top 5 entities by the closing balance of accounts receivable and contract assets (including contract assets presented under other non-current assets) was RMB845,757,379.93, representing 45.18% of the total closing balance of accounts receivable and contract assets (including contract assets presented under other non-current assets). The corresponding provision for bad debts of accounts receivable and the provision for impairment of contract assets was RMB64,918,132.15 in aggregate.

## XV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(Continued)*

### (I) Notes to Items of the Balance Sheet of the Parent Company *(Continued)*

#### 2. Other receivables

##### (1) Classification by nature of amounts

Nature	Closing balance	Closing balance of last year
Security deposits	5,411,675.17	6,247,662.15
Imprest	388,559.93	489,103.44
Related parties transactions within the scope of combination	60,500,000.00	37,500,000.00
Others	205,292.35	48,390.31
Total book balance	66,505,527.45	44,285,155.90
Less: Provision for bad debts	2,190,385.12	2,097,234.62
Total book value	64,315,142.33	42,187,921.28

##### (2) Ageing status

Ageing	Closing balance	Closing balance of last year
Within 1 year	24,184,463.74	7,538,120.30
1 to 2 years	6,113,312.59	32,822,984.21
2 to 3 years	32,527,584.21	390,258.00
3 to 4 years	356,373.52	423,000.00
4 to 5 years	353,000.00	530,000.00
Over 5 years	2,970,793.39	2,580,793.39
Total book balance	66,505,527.45	44,285,155.90
Less: Provision for bad debts	2,190,385.12	2,097,234.62
Total book value	64,315,142.33	42,187,921.28

## Notes to the Financial Statements

2025

**XV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY** *(Continued)***(I) Notes to Items of the Balance Sheet of the Parent Company** *(Continued)*2. *Other receivables* *(Continued)*(3) Provision for bad debts

## 1) Breakdown by category

Categories	Book balance		Closing balance		Book value
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Proportion (%)	
Provision for bad debts made individually	761,173.00	1.14	761,173.00	100.00	
Provision for bad debts made collectively	65,744,354.45	98.86	1,429,212.12	2.17	64,315,142.33
Total	66,505,527.45	100.00	2,190,385.12	3.29	64,315,142.33

Categories	Book balance		Closing balance of last year		Book value
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Proportion (%)	
Provision for bad debts made individually	761,173.00	1.72	761,173.00	100.00	
Provision for bad debts made collectively	43,523,982.90	98.28	1,336,061.62	3.07	42,187,921.28
Total	44,285,155.90	100.00	2,097,234.62	4.74	42,187,921.28

## Notes to the Financial Statements

2025

**XV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY** (Continued)**(I) Notes to Items of the Balance Sheet of the Parent Company** (Continued)2. *Other receivables* (Continued)(3) *Provision for bad debts* (Continued)

## 2) Other receivables with provision for bad debts made collectively

Portfolios	Closing balance		
	Book balance	Provision for bad debts	Percentage of provision (%)
Security deposits receivable portfolio	4,650,502.17	1,400,071.22	30.11
Imprest receivable portfolio	388,559.93	18,075.20	4.65
Related parties portfolio within the scope of combination	60,500,000.00		
Others	205,292.35	11,065.70	5.39
Sub-total	65,744,354.45	1,429,212.12	2.17

## 3) Changes in provision for bad debts

## ① Breakdown

Items	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in following 12 months	Lifetime expected credit loss (without credit impairment)	Lifetime expected credit loss (with credit impairment)	
Opening balance	62,274.50	268,152.67	1,766,807.45	2,097,234.62
Opening balance for the period	-	-	-	
- Transfer to stage 2	-267.54	267.54		
- Transfer to stage 3		-4,471.90	4,471.90	
- Reverse to stage 2				
- Reverse to stage 1				
Provision for the period	-6,135.86	-92,264.59	192,155.43	93,754.98
Recovery or reversal for the period				
Write-off for the period			604.48	604.48
Other changes				
Closing balance	55,871.10	171,683.72	1,962,830.30	2,190,385.12
Percentage of provision for bad debts at the end of the period (%)	0.09	14.94	95.15	3.29

## Notes to the Financial Statements

2025

**XV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY** *(Continued)***(I) Notes to Items of the Balance Sheet of the Parent Company** *(Continued)*2. *Other receivables* *(Continued)*(4) Actual write-off of other receivables during the period

Item	Amount written off
Actual write-off of other receivables	<b>604.48</b>

(5) Top 5 entities by the amount of other receivables

The total amount attributable to top 5 entities by the closing balance of other receivables was RMB62,321,173.00, representing 93.71% of the total closing balance of other receivables. The corresponding provision for bad debts of other receivables was RMB842,173.00 in aggregate.

3. *Long-term equity investments*(1) Breakdown

Items	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	<b>494,709,619.86</b>	<b>108,789,175.82</b>	<b>385,920,444.04</b>	494,709,619.86	54,444,501.09	440,265,118.77
Investments in associates and joint ventures	<b>331,129,212.99</b>		<b>331,129,212.99</b>	273,617,321.42		273,617,321.42
Total	<b>825,838,832.85</b>	<b>108,789,175.82</b>	<b>717,049,657.03</b>	768,326,941.28	54,444,501.09	713,882,440.19

(2) Investment in subsidiaries

Investees	Opening balance		Increase or decrease during the period				Closing balance	
	Book value	Provision for impairment	Additional investments	Decrease in investments	Provision for impairment	Others	Book value	Provision for impairment
Yichen Railway Engineering Equipment	154,899,553.96						<b>154,899,553.96</b>	
Yichen Corporate Management	2,950,000.00						<b>2,950,000.00</b>	
Yichen Welding	150,000,000.00						<b>150,000,000.00</b>	
Xingtai Juneng	103,930,498.91	54,444,501.09			54,344,674.73		<b>49,585,824.18</b>	<b>108,789,175.82</b>
Yichen Hong Kong Trading	28,485,065.90						<b>28,485,065.90</b>	
Sub-total	440,265,118.77	54,444,501.09			54,344,674.73		<b>385,920,444.04</b>	<b>108,789,175.82</b>

## Notes to the Financial Statements

2025

**XV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY** (Continued)**(I) Notes to Items of the Balance Sheet of the Parent Company** (Continued)3. *Long-term equity investments* (Continued)(3) Investments in associates and joint ventures

Investees	Opening balance		Increase or decrease during the period			
	Book value	Provision for impairment	Additional investments	Decrease in investments	Investment profit or loss recognised using equity method	Adjustment to other comprehensive income
Associate						
Tieke Yiche	273,617,321.42				68,682,035.85	
Total	273,617,321.42				68,682,035.85	

Investees	Increase or decrease during the period				Closing balance	
	Other changes in equity	Cash dividends or profit distribution declared	Provision for impairment	Others	Book value	Provision for impairment
Associate						
Tieke Yichen	-157,394.28	11,012,750.00			331,129,212.99	
Total	-157,394.28	11,012,750.00			331,129,212.99	

## Notes to the Financial Statements

2025

**XV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY** *(Continued)***(II) Notes to the Items of Income Statement of the Parent Company**1. *Operating revenue/Operating cost*

Items	Amounts for the period		Amounts for the same period of last year	
	Revenue	Cost	Revenue	Cost
Revenue from principal business	1,308,033,792.91	748,424,393.33	695,019,329.39	464,550,220.65
Other operating revenue	14,796,390.06	12,720,549.70	9,855,890.21	8,482,854.13
Total	1,322,830,182.97	761,144,943.03	704,875,219.60	473,033,074.78
Including: Revenue from contracts with customers	1,322,830,182.97	761,144,943.03	701,664,210.42	469,869,737.98

(2) *Breakdown of revenue*1) *Breakdown of revenue from contracts with customers by type of goods or services*

Items	Amounts for the period		Amounts for the same period of last year	
	Revenue	Cost	Revenue	Cost
Rail fastening system	1,284,681,492.59	727,661,781.59	675,579,435.55	447,533,940.82
Welding material	22,460,952.53	19,892,375.21	19,038,158.43	16,599,883.97
Railway sleepers	891,347.79	870,236.53	401,735.41	416,395.86
Others	14,796,390.06	12,720,549.70	6,644,881.03	5,319,517.33
Sub-total	1,322,830,182.97	761,144,943.03	701,664,210.42	469,869,737.98

## Notes to the Financial Statements

2025

**XV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY** (Continued)**(II) Notes to the Items of Income Statement of the Parent Company** (Continued)1. *Operating revenue/Operating cost* (Continued)

## (2) Breakdown of revenue (Continued)

## 2) Breakdown of revenue from contracts with customers by region of operation

Items	Amounts for the period		Amounts for the same period of last year	
	Revenue	Cost	Revenue	Cost
Domestic	1,310,490,531.51	749,176,262.70	698,492,530.12	466,841,870.87
Overseas	12,339,651.46	11,968,680.33	3,171,680.30	3,027,867.11
Sub-total	1,322,830,182.97	761,144,943.03	701,664,210.42	469,869,737.98

## 3) Breakdown of revenue from contracts with customers by time of transfer of goods or services

Item	Amounts for the period	Amounts for the same period of last year
Revenue recognised at a point of time	1,322,830,182.97	701,664,210.42
Sub-total	1,322,830,182.97	701,664,210.42

## (3) The revenue recognised during the period and included in the book value of contract liabilities at the beginning of the period was RMB2,299,806.78.

## (4) Information related to the performance obligations

Items	Time to fulfill performance obligations	Important payment terms	Nature of goods the Company undertook to transfer	Whether it is the main responsible person	Amount expected to be refunded to customers by the Company	Types of quality assurance provided by the Company and related obligations
Sales of goods	At the time of goods delivery	Payment terms are generally based on contract agreement	Rail fastening system, welding wire and railway sleeper	Yes	None	Assurance-type quality warranty
Provision of services	At the time of service delivery	Monthly settlement or based on contract agreement	Processing services, testing services, etc. and commissioned processing of welding wire	Yes	None	Assurance-type quality warranty
Sales of goods	At the time of goods delivery	Generally monthly settlement	Power products	No	None	None

## Notes to the Financial Statements

2025

**XV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY** *(Continued)***(II) Notes to the Items of Income Statement of the Parent Company** *(Continued)*2. *Research and development expenses*

Items	Amounts for the period	Amounts for the same period of last year
Material costs	<b>27,525,326.77</b>	13,807,439.39
Payroll	<b>7,973,793.69</b>	5,802,725.41
Electricity charges	<b>6,265,846.52</b>	3,123,509.97
Depreciation	<b>870,305.67</b>	437,283.28
Others	<b>393,130.59</b>	1,340.03
Total	<b>43,028,403.24</b>	23,172,298.08

3. *Investment gains*

Items	Amounts for the period	Amounts for the same period of last year
Gains from long-term equity investment calculated under equity method	<b>68,682,035.85</b>	23,416,869.85
Investment gains from financial assets held for trading during the holding period		229,452.00
Investment gains from disposal of financial assets held for trading		-2,874,157.48
Total	<b>68,682,035.85</b>	20,772,164.37

## Notes to the Financial Statements

2025

**XVI. OTHER SUPPLEMENTAL INFORMATION****(I) Non-recurring gains or losses****1. Breakdown of non-recurring gains or losses**

Items	Amount	Description
Gain or loss on disposal of non-current assets, inclusive of write-off of impairment provision for assets	-245,612.51	
Government grants (except for government grants which are closely related to the Company's ordinary business, conform with the national policies, are entitled to base on the established standards and have continuous impact on the Company's profit or loss) recognised in profit or loss	488,426.00	
Gains and losses from changes in fair value arising from financial assets and financial liabilities held by non-financial enterprises as well as gains and losses arising from disposal of financial assets and financial liabilities, other than effective hedging activities associated with normal business operations of the Company		
Fund occupation fees charged to non-financial enterprises and included in profits or losses		
Gains or losses from entrusting others to invest or manage assets		
Gains or losses from entrusted loans to external parties		
Losses of assets from force majeure events, such as natural disasters		
Reversal of impairment provisions for receivables subject to individual impairment test	8,526.19	
Gains arising from the investment cost for acquiring a subsidiary, associate, or joint venture being lower than the fair value of the investee's identifiable net assets entitled upon such acquisition		
Net profit or loss for the period from the beginning to the consolidation date of subsidiaries arising from a business combination under common control		
Gains or losses on exchange of non-monetary assets		
Gains or losses on debt restructuring		
One-off expenses incurred due to the discontinuation of related business activities, such as expenditures for employee termination, etc.		
One-off impact on current profit or loss arising from adjustments to tax, accounting and other laws and regulations		
Share-based payment costs recognized in a single amount arising from the cancellation or amendment of share incentive schemes		
Gains or losses arising from changes in the fair value of payroll payable for cash-settled share- based payments after the vesting date		
Gains or losses arising from changes in the fair value of investment property using the fair value model for subsequent measurement		
Gains arising from transactions with obviously unfair transaction prices		
Gains or losses arising from contingencies unrelated to the Company's normal operating activities		
Custody fee income from entrusted operation		
Other non-operating income and expenses apart from those stated above	-254,615.51	
Other profit or loss items that meet the definition of non-recurring gains or losses		
Sub-total	-3,275.83	
Less: Effect on enterprise income tax ("-"for income tax decrease)	-1,454.41	
Effect on interest of minority shareholders (after tax)	1,802.37	
Net non-recurring gains or losses attributable to owners of the parent	-3,623.79	

## Notes to the Financial Statements

2025

**XVI. OTHER SUPPLEMENTAL INFORMATION** (Continued)**(II) Return on Net Assets and Earnings per Share****1. Breakdown**

Profit during the reporting period	Weighted average return on net assets ratio (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	11.31	0.32	0.32
Net profit after deducting non-recurring profit or loss attributable to the ordinary shareholders of the Company	11.31	0.32	0.32

**2. Calculation progress of weighted average return on net assets ratio**

Items	No.	Amounts for the period
Net profit attributable to ordinary shareholders of the Company	A	284,370,384.48
Non-recurring profit or loss	B	-3,623.79
Net profits after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	C=A-B	284,374,008.27
Net assets at the beginning of the period attributable to ordinary shareholders of the Company	D	2,381,448,062.44
Increase in net assets attributable to ordinary shareholders of the Company due to issuance of new shares or conversion of debt to equity	E	
Cumulative months from the month after increase in net assets to end of reporting period	F	
Decrease in net assets attributable to ordinary shareholders of the Company due to cash dividends	G	15,083,712.00
Cumulative months from the month after decrease in net assets to end of reporting period	H	7
Others		
Decrease in net assets attributable to ordinary shareholders of the Company due to repurchases of treasury stock	I1	2,751,562.69
Cumulative months from the month after decrease in net assets to end of reporting period	J1	6
Decrease in net assets attributable to ordinary shareholders of the Company due to repurchases of treasury stock	I2	289,917.23
Cumulative months from the month after decrease in net assets to end of reporting period	J2	5
Increase of net assets in capital reserve	I2	-157,394.28
Cumulative months from the next month following the impact to net assets to the end of the Reporting Period	J2	6
Number of months during the reporting period	K	12
Weighted average net assets	$L = D + A/2 + E \times F/K - G \times H/K \pm I \times J/K$	2,513,259,145.34
Weighted average return on net assets ratio	$M = A/L$	11.31%
Weighted average return on net assets ratio, after deduction of non-recurring profit or loss	$N = C/L$	11.31%

## Notes to the Financial Statements

2025

**XVI. OTHER SUPPLEMENTAL INFORMATION** (Continued)**(II) Return on Net Assets and Earnings per Share** (Continued)3. *Calculations progress of basic and diluted earnings per share*(1) Calculations progress of basic earnings per share

Items	No.	Amounts for the period
Net profits attributable to the ordinary shareholders of the Company	A	284,370,384.48
Non-recurring profit or loss	B	-3,623.79
Net profits after deducting non-recurring profit or loss attributable to the ordinary shareholders of the Company	C=A-B	284,374,008.27
Total number of shares at beginning of the period	D	894,617,500
Increase in number of shares due to conversion of reserves to share capital or dividend distribution, etc.	E	
Increase in number of shares due to issuance of new shares or conversion of debt to equity, etc.	F	
Cumulative months from the month after increase in shares to end of reporting period	G	
Decrease in number of shares due to repurchase	H1	1,365,000
Cumulative months from the month after decrease in shares to end of reporting period	I1	6
Decrease in number of shares due to repurchase	H2	135,000
Cumulative months from the month after decrease in shares to end of reporting period	I2	5
Share consolidation during the reporting period	J	
Number of months in the reporting period	K	12
Weighted average number of outstanding ordinary shares	L=D+E+Fx G/K-HxI/K-J	893,878,750
Basic earnings per share	M=A/L	0.32
Basic earnings per share after deducting non-recurring profit or loss	N=C/L	0.32

(2) Calculations of diluted earnings per share are the same as the calculations of basic earnings per share.

**(III) Differences in Preparation of Financial Statements Between Domestic and Overseas Accounting Standards**

These financial statements of the Company were prepared in accordance with Accounting Standards of Business Enterprises. In 2019, according to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" issued by the Hong Kong Stock Exchange in December 2010, the Company decided to prepare the financial statements in accordance with Accounting Standards of Business Enterprises for information disclosure on the Hong Kong Stock Exchange.

Hebei Yichen Industrial Group Corporation Limited  
8 April 2026

## DEFINITIONS

“Articles” or “Articles of Association”	the articles of association of our Company, conditionally adopted on 30 November 2015 and as amended, supplemented or otherwise modified from time to time
“Auditor”	Pan-China Certified Public Accountant LLP
“Board” or “Board of Directors”	the board of Directors of our Company
“business day”	any day (excluding a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal banking business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“China” or the “PRC”	the People’s Republic of China excluding, for the purpose of this annual report, Hong Kong, Macao Special Administrative Region of the People’s Republic of China and Taiwan, and “Chinese” shall be construed accordingly
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”, “our Company” or “Yichen Industrial”	Hebei Yichen Industrial Group Corporation Limited* (河北翼辰實業集團股份有限公司), formerly known as Hebei Yichen Industrial Group Co., Ltd.* (河北翼辰實業集團有限公司), a joint stock limited company incorporated on 9 April 2001 under the laws of the PRC
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and in the context of this annual report, refers to the controlling shareholder(s) of our Company, being Mr. Zhang Haijun (張海軍), Ms. Zhang Junxia (張軍霞), Mr. Zhang Xiaogeng (張小更), Mr. Zhang Xiaosuo (張小鎖), Mr. Zhang Ligang (張立剛), Mr. Wu Jinyu (吳金玉), Mr. Zhang Chao (張超), Mr. Zhang Lijie (張力杰), Mr. Zhang Lifeng (張力峰), Ms. Zhang Yanfeng (張艷峰), Mr. Zhang Libin (張力斌), Mr. Zhang Lihuan (張力歡), Mr. Zhang Ning (張寧), Ms. Zhang Hong (張宏) and Mr. Zhang Ruiqiu (張瑞秋)

\* For identification purpose only

## Definitions

“Controlling Shareholders Group”	collectively, Mr. Zhang Haijun (張海軍), Ms. Zhang Junxia (張軍霞), Mr. Zhang Xiaogeng (張小更), Mr. Zhang Xiaosuo (張小鎖), Mr. Zhang Ligang (張立剛), Mr. Wu Jinyu (吳金玉), Mr. Zhang Chao (張超), Mr. Zhang Lijie (張力杰), Mr. Zhang Lifeng (張力峰), Ms. Zhang Yanfeng (張艷峰), Mr. Zhang Libin (張力斌), Mr. Zhang Lihuan (張力歡), Mr. Zhang Ning (張寧), Ms. Zhang Hong (張宏) and Mr. Zhang Ruiqiu (張瑞秋), being a group of 15 individuals
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“China Railway Test & Certification Center”	China Railway Test & Certification Center Limited (中鐵檢驗認證中心有限公司), an official certification authority of railway construction products of China
“Director(s)”	the director(s) of our Company
“Domestic Shares”	domestic ordinary shares in our capital, with a nominal value of RMB0.5 each, which are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
“EIT”	the enterprise income tax of the PRC
“EIT Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) which was adopted by the National People’s Congress on 16 March 2007 and became effective on 1 January 2008
“flux cored wire”	opposite of the covered electrode. The outer shell is made of steel and the powder in it works as flux. The steel-made coat would be exposed to the air first and be oxidised during the process of welding
“Global Offering”	the Hong Kong Public Offering and the International Offering as defined in the prospectus of the Company dated 9 December 2016
“Group”, “our Group”, “we” or “us”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“Grantee”	an Eligible Participant selected by the Board pursuant to the rules of the Scheme for the grant of an Award
“H Share Registrar”	Computershare Hong Kong Investor Services Limited

## Definitions

“H Share(s)”	overseas listed foreign ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB0.5 each, which are listed on the Stock Exchange and traded in Hong Kong dollars
“heavy-haul railway”	freight dedicated railway with tractive tonnage of no less than 8,000 tons, axle load on rail reaching 25 tons or more, and annual freight volume of no less than 40 million tons
“high-speed railway”	newly constructed passenger dedicated railway with a designated speed of up to 250 km/h and a preliminary operating speed of at least 200 km/h
“HKD”, “HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRSs”	International Financial Reporting Standards
“Independent Third Party(ies)”	person(s) or company(ies) which is (are) not a connected person(s) or core connected person(s) (as defined in the Listing Rules) of our Company
“INED(s)”	independent non-executive Director(s) of the Company
“intercity railway”	rapid, convenient and high-density passenger dedicated railway with a designed speed of 200 km/h or lower, which is dedicated to serving cities or among city clusters
“km”	kilometer
“km/h”	kilometer per hour
“Listing”	listing of the H Shares on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

## Definitions

“Longji”	Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd. (石家莊市藁城區隆基企業管理有限公司), a limited liability company established under the laws of the PRC on 8 June 2013 and controlled by connected persons of the Company as at the latest practicable date
“Main Board”	the stock market operated by the Stock Exchange which is independent from and operated in parallel to the GEM of the Stock Exchange
“metro”	a passenger railway in an urban area with high capacity and frequency
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Mr. Zhang Haijun”	Mr. Zhang Haijun (張海軍), an executive Director, the chairman of the Board and the representative of the Controlling Shareholders Group
“Province” or “province”	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the central government of the PRC
“rail fastening system(s)” or “rail fastening system products”	a railway component used to fix sleeper and steel rail to ensure the safe operation of the railway, including its parts and components
“railway”	the generic term for national railway and intercity railway. National railway includes normal-speed railway and high-speed railway
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“sanctioned countries”	countries being internationally sanctioned, representing the countries in the sanction list of the European Union, the United States, Australia or the United Nations
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary Shares of RMB0.5 each in the share capital of our Company, comprising Domestic Shares and H Shares

## Definitions

“Shareholder(s)”	holder(s) of the Share(s)
“State Council”	the State Council of the PRC
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules, unless the context otherwise requires
“Supervisor(s)”	the supervisor(s) of our Company
“Supervisory Board”	the supervisory board of our Company
“Treasury Shares(s)”	has the meaning ascribed thereto under the Listing Rules
“urban transit”	passenger trains in the city, most of which are underground trains and some are overground trains
“Vesting Date”	in relation to any Grantee, the date on which the legal and beneficial ownership of the Awarded Shares are vested in such Grantee pursuant to an Award
“14th Five-Year Plan”	the 14th five-year plan for national economic and social development (2021–2025) approved by the fourth meeting of the Thirteenth National People’s Congress in 2021
“%”	per cent.