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

2024 ANNUAL REPORT

* For identification purpose only

CONTENTS

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
Mr. Wang Fuju
Mr. Zhang Liguo

SUPERVISORS

Mr. Guan En *(Chairman)*
Mr. Liu Jianbin
Mr. Zhou Hao[(1)]
Mr. Hu Hebin[(2)]

AUDIT COMMITTEE

Mr. Jip Ki Chi *(Chairman)*
Mr. Wang Fuju
Mr. Zhang Liguo

REMUNERATION COMMITTEE

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

(1) Appointed with effect from 2 December 2024
(2) Resigned with effect from 2 December 2024

NOMINATION COMMITTEE

Mr. Wang Fuju *(Chairman)*
Mr. Wu Jinyu
Mr. Zhang Liguo

CORPORATE GOVERNANCE COMMITTEE

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

STRATEGY COMMITTEE

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

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

Corporate Information *(Continued)*

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

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

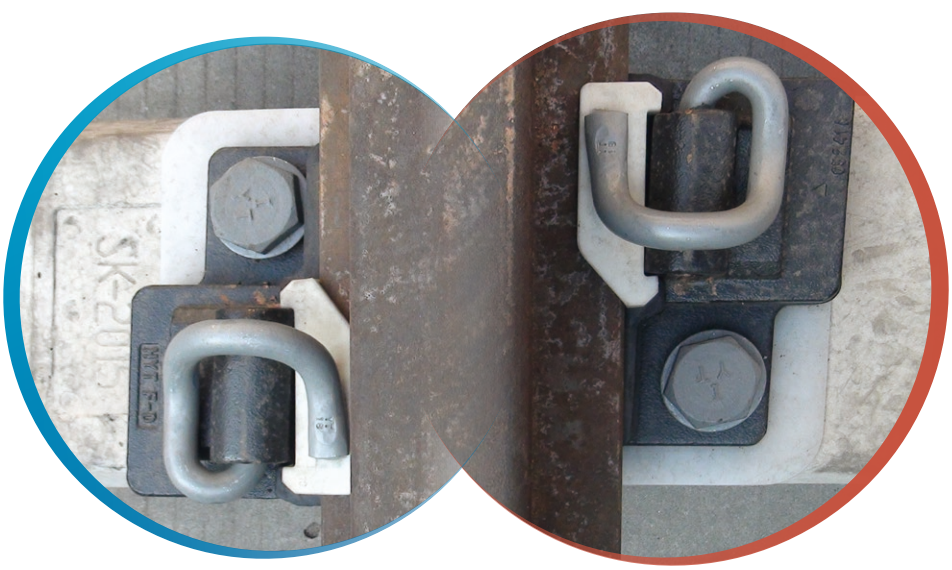
http://www.hbyc.com.cn

FINANCIAL SUMMARY

	2024	2023	2022 (Restated)	2021	2020
Results (RMB'000)					
Revenue	**1,090,750**	1,196,146	1,258,266	1,363,645	1,142,058
Cost of sales	**(837,626)**	(904,796)	(955,756)	(947,636)	(736,634)
Gross profits	**253,124**	291,350	302,510	416,009	405,424
Selling expenses	**(20,678)**	(19,793)	(18,693)	(21,260)	(18,823)
Management expenses	**(92,528)**	(95,520)	(79,716)	(82,105)	(69,994)
Profit/(loss) before income tax	**(57,724)**	50,131	183,475	284,481	296,379
Net profit/(loss) attributable to owners of the parent	**(50,828)**	49,445	161,033	246,088	252,233

	2024	2023	2022 (Restated)	2021	2020 (Restated)
Assets and Liabilities (RMB'000)					
Non-current assets	**1,571,168**	1,409,309	1,296,395	1,103,620	991,880
Current assets	**1,930,330**	2,186,122	1,925,586	1,794,407	1,855,981
Non-current liabilities	**389,444**	202,978	225,466	32,131	124,051
Current liabilities	**717,681**	919,183	635,634	753,491	726,826
Equity attributable to owners of the parent	**2,381,448**	2,460,984	2,349,723	2,103,635	1,921,800

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 2024.

2024 REVIEW

In 2024, China's economy showed a trend of steady growth. According to the data released by the National Bureau of Statistics, the GDP for 2024 increased by 5.0% year-on-year at constant prices.

Looking back at the past year, new achievements were made in China's high-quality development of railways. According to the National Railway Administration, in 2024, the fixed asset investments in national railways amounted to RMB850.6 billion, representing a year-on-year increase of 11.3%, which continued to remain at a high level, with new lines of 3,113 kilometers added to the operation, of which 2,457 kilometers were high-speed railway, making a remarkable achievement in railway construction.

Centering on the 102 key railway construction projects and "Two Key Constructions" projects as specified in the Outline of the National "14th Five-Year Plan", China State Railway Group Co., Ltd. ("**State Railway Group**") has stepped up efforts to facilitate such implementation since 2024. 17 projects, including the Yichang-Fuling High-speed Railway (Chongqing section), the Longyan-Longchuan High-speed Railway (Wuping-Meizhou West section), Lanzhou-Zhangye High-speed Railway (Wuwei-Zhangye section), have commenced construction and 42 projects, including the Hangzhou-Yiwu-Wenzhou High-speed Railway, Chizhou-Huangshan Highspeed Railway, Shanghai-Suzhou-Huzhou High-speed Railway have been put into operation. After in-depth preliminary work of projects with focus on network, supplementary network and chain strengthening, the feasibility studies of 20 projects have been approved, including the capacity expansion and renovation project of Jiamusi-Tongjiang Railway. The construction of logistics infrastructure to complete 44 special railway lines and 12 logistics bases had also been accelerated. During the year, the Company firmly grasped the opportunities of railway construction and development in China by actively participating in the construction of high-speed railways, heavy-haul railways and urban rail transit in various regions, to ensure the safe, stable and efficient operation of railways with high-quality products and services.

In addition, for the year ended 31 December 2024, the revenue of the Group amounted to approximately RMB1,090.7 million, representing a decrease of approximately 8.8% over the same period of last year; the net losses attributable to equity shareholders of the Company amounted to approximately RMB50.8 million, representing a decrease of approximately 202.8% over the same period of last year; and losses per share amounted to approximately RMB0.06.

Chairman's Statement *(Continued)*

2025 OUTLOOK

According to the work meeting of State Railway Group, in 2025, State Railway will fully complete the national railway investment through facilitating national key projects with high quality, spare no efforts in completing infrastructure investment of RMB590 billion and put 2,600 kilometers of new lines into operation.

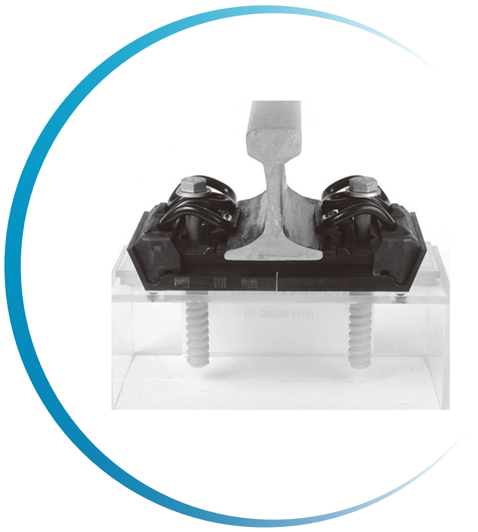
On 26 December 2024, the National Railway Supervision and Management Work Meeting (全國鐵路監督管理工作會議) was held in Beijing, at which it was emphasised that year 2025 marks the concluding year of the "14th Five-Year Plan", and therefore, it is necessary to accurately grasp the strategic intent of the CPC Central Committee, have profound understanding about the opportunities and challenges in the railway development, coordinate the effective market and the government, supply and demand, cultivate new driver and renew the old ones, optimise for incremental growth and revitalise the stock, improve the quality and increase the total quantity. In addition, it will adhere to the principle of seeking progress while maintaining stability, promoting stability with progress, insist on the problem-oriented and goal-oriented, strictly follow the principle of preservation and innovation, establish new growth drivers before abolishing the old ones, and remain steadfast in system integration and synergistic cooperation, so as to facilitate the realisation of key tasks and objectives with the best efforts.

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 2024. 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, 27 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS



Industrial Review and Analysis

In 2024, China's economy showed a trend of steady growth. According to the data released by the National Bureau of Statistics, the GDP for 2024 increased by 5.0% year-on-year at constant prices. In 2024, the fixed asset investments in national railways amounted to RMB850.6 billion, representing a year-on-year increase of 11.3%, which continued to remain at a high level, with new lines of 3,113 kilometers added to the operation, of which 2,457 kilometers were high-speed railway, making a remarkable achievement in railway construction.

At the same time, centering on the 102 key railway construction projects and "Two Key Constructions" projects as specified in the Outline of the National "14th Five-Year Plan", State Railway Group has stepped up efforts to facilitate such implementation. 17 projects, including the Yichang-Fuling High-speed Railway (Chongqing section), the Longyan-Longchuan High-speed Railway (Wuping-Meizhou West section), Lanzhou-Zhangye High-speed Railway (Wuwei-Zhangye section), have commenced construction and 42 projects, including the Hangzhou-Yiwu-Wenzhou High-speed Railway, Chizhou-Huangshan Highspeed Railway, Shanghai-Suzhou-Huzhou High-speed Railway have been put into operation. After in-depth preliminary work of projects with focus on network, supplementary network and chain strengthening, the feasibility studies of 20 projects have been approved, including the capacity expansion and renovation project of Jiamusi-Tongjiang Railway. The construction of logistics infrastructure to complete 44 special railway lines and 12 logistics bases had also been accelerated. During the year, the Company firmly grasped the opportunities of railway construction and development in China by actively participating in the construction of high-speed railways, heavy-haul railways and urban rail transit in various regions, to ensure the safe, stable and efficient operation of railways with high-quality products and services.

Management Discussion and Analysis *(Continued)*

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 2024, total revenue of the Group amounted to approximately RMB1,090.7 million, representing a decrease of approximately 8.8%.

Rail Fastening System Products

For the year ended 31 December 2024, the revenue from rail fastening system products amounted to approximately RMB674.2 million, accounting for approximately 61.8% of the Group's total revenue and representing a decrease of approximately 2.6% over the revenue of approximately RMB692.2 million from this segment last year. This was resulted from the decrease in shipments of rail fastening system products in this year impacted by the construction progress of railways.

During the year under review, the cost of sales relating to rail fastening system products slightly increased by approximately 0.7% from approximately RMB437.1 million in 2023 to approximately RMB440.1 million in 2024, which was mainly attributable to the decrease in shipment of high-speed rail products with higher gross profit impacted by the construction progress of railways during the year under review.

As a result of the decrease in revenue from rail fastening system products and changes in product structure, gross profit of rail fastening system products decreased by approximately 8.3% from approximately RMB255.1 million in 2023 to approximately RMB234.1 million in 2024. At the same time, the gross profit margin of rail fastening system products decreased from approximately 36.9% in 2023 to approximately 34.7% in 2024, which was mainly attributable to the decrease in shipment of high-speed rail products with higher gross profit impacted by the construction progress of railways during the year under review.

During the year under review, the Group's initial value of the agreements entered into on supplying rail fastening systems was approximately RMB1,118.9 million, representing a decrease of approximately 16.8% as compared to 2023. Specifically, the initial value of the agreements entered into on high-speed rail fastening systems amounted to approximately RMB816.4 million, representing a decrease of approximately 17.2% as compared to 2023; the initial value of the agreements entered into on urban transit fastening systems amounted to approximately RMB163.1 million; the initial value of the agreements entered into on heavy-haul rail fastening systems amounted to approximately RMB10.7 million; and the initial value of the agreements entered into on normal-speed rail fastening systems amounted to approximately RMB128.6 million. As of 31 December 2024, the backlog of the Group amounted to approximately RMB2,029.9 million (value-added tax included).

Welding Wire Products

For the year ended 31 December 2024, the revenue from welding wire products amounted to approximately RMB310.6 million, accounting for approximately 28.5% of the total revenue of the Group and representing a decrease of approximately 18.7% from approximately RMB382.2 million for the year of 2023. The decrease in revenue was mainly attributable to the decrease in shipment 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 16.9% to approximately RMB310.6 million in 2024 from approximately RMB373.8 million in 2023, which was mainly attributable to the decrease in sales volume of welding wire products 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 2024, the revenue from railway sleeper products was approximately RMB92.3 million, accounting for approximately 8.5% of the Group's total revenue and representing a decrease of approximately 18.2% from approximately RMB112.9 million in 2023. The change in revenue was mainly attributable to the decrease in shipments of railway sleeper products during the year impacted by the construction progress of railways.

During the year under review, the cost of sales of railway sleeper products decreased by approximately 15.8% from approximately RMB88.9 million in 2023 to approximately RMB74.8 million in 2024, 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. In 2024, the revenue of the Group decreased to approximately RMB1,090.7 million from approximately RMB1,196.1 million in 2023. The decrease of revenue was mainly attributable to the decrease in shipments during the year impacted by the construction progress of railways and market competition.

Revenue related to rail fastening system products decreased by approximately 2.6% to approximately RMB674.2 million in 2024 from approximately RMB692.2 million in 2023, which was attributable to the decrease in shipments of rail fastening system products during the year under review impacted by the construction progress of railways of the major customers.

Revenue related to welding wire products decreased by approximately 18.7% from approximately RMB382.2 million in 2023 to approximately RMB310.6 million in 2024. The change in revenue from welding wire products was mainly attributable to the decrease in sales volume of welding wire products during the year under review.

Revenue related to railway sleeper products decreased by approximately 18.2% from approximately RMB112.9 million in 2023 to approximately RMB92.3 million in 2024. The change in revenue from railway sleeper products was mainly attributable to the decrease in shipments of railway sleeper products during the year under review impacted by the construction progress of railways.

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, provision of product processing services as well as electricity sales business.

Operating Cost

The Group's operating cost decreased by approximately 7.4% to approximately RMB837.6 million in 2024 from approximately RMB904.8 million in 2023. The decrease in cost during the year under review was mainly due to the decrease in product shipments.

Operating cost related to rail fastening system products increased by approximately 0.7% to approximately RMB440.1 million in 2024 from approximately RMB437.1 million in 2023. This fluctuation was mainly due to the decrease in shipments of high-speed railways products with higher gross profit impacted by the construction progress of railways during the year under review.

Operating cost related to welding wire products decreased by approximately 16.9% to approximately RMB310.6 million in 2024 from approximately RMB373.8 million in 2023. The decrease in cost was mainly attributable to the decrease in sales volume of welding wire series products during the year under review.

Operating cost related to railway sleeper products decreased by approximately 15.8% to approximately RMB74.8 million in 2024 from approximately RMB88.9 million in 2023. 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 RMB253.1 million in 2024, representing a year-on-year decrease of approximately 13.1% as compared to the gross profit of approximately RMB291.4 million in 2023, which was mainly due to the change in product structure of rail fastening system products and the decrease in gross profit of welding wire series products during the year under review.

Gross profit of rail fastening system products decreased by approximately 8.3% from approximately RMB255.1 million in 2023 to approximately RMB234.1 million in 2024, and the gross profit margin decreased from approximately 36.9% in 2023 to approximately 34.7% in 2024, which was mainly attributable to the decrease in shipments of high-speed railways products with higher gross profit impacted by the construction progress of railways during the year under review.

Gross profit of welding wire products decreased by approximately 100.2% to approximately RMB-0.04 million in 2024 from approximately RMB8.4 million in the same period of 2023. Gross profit margin decreased from approximately 2.2% in 2023 to approximately –0.01% in the same period of 2024. The negative gross profit of this series of products was mainly due to the decrease in the selling price of flux cored wire series products and the higher charge of depreciation cost per unit of welding wire products as a result of the fierce market competition during the year under review.

Gross profit of railway sleeper products decreased by approximately 26.9% to approximately RMB17.5 million in 2024 from approximately RMB23.9 million in 2023. Gross profit margin decreased to approximately 18.9% in 2024 from approximately 21.2% in 2023. The decrease in gross profit margin was mainly due to the fact that the production capacity of the railway sleeper base in Southwest China was still increasing during the year under review, resulting in a higher unit production cost.

Selling Expenses

Selling expenses of the Group increased to approximately RMB20.7 million in 2024 from approximately RMB19.8 million in 2023. For the years ended 31 December 2023 and 2024, selling expenses as a percentage of total revenue accounted for approximately 1.7% and 1.9%, respectively. The increase in selling expenses was mainly attributable to the increase in the certification costs for product test of the Company during the year under review.

Management Expenses

Management expenses of the Group decreased to approximately RMB92.5 million in 2024 from approximately RMB95.5 million in 2023. For the years ended 31 December 2023 and 2024, management expenses as a percentage of total revenue accounted for approximately 8.0% and 8.5%, respectively. The decrease in management expenses was mainly due to the reduction in expenses by the Company, resulting in decrease in office expenses and low-value consumables during the year under review.

Research and Development Expenses

Research and development expenses of the Group decreased to approximately RMB27.4 million in 2024 from approximately RMB33.3 million in 2023. The decrease in research and development expenses was mainly due to the decrease in research and development investment for the year under review. For the years ended 31 December 2023 and 2024, research and development expenses as a percentage of total revenue accounted for approximately 2.8% and 2.5%, respectively.

Finance Costs

In 2024, the Group incurred total finance costs of approximately RMB18 million, representing a year-on-year increase of approximately 2.9% as compared to total finance costs of approximately RMB17.5 million in 2023. Under this category, interest income decreased by approximately 45.8% to approximately RMB1.3 million in 2024 from approximately RMB2.4 million in 2023. Interest costs decreased by approximately 3.2% to approximately RMB18.1 million in 2024 from approximately RMB18.7 million in 2023. The increase in finance costs was mainly due to decrease in interest income during the year under review.

Investment Gains/Losses

In 2024, the Group's investment gains totalled approximately RMB14.9 million while the investment losses totalled approximately RMB33.5 million in 2023, primarily caused by the change in price of Hong Kong listed company securities disposed during the year under review. The Group recorded an aggregate of approximately RMB23.4 million in share of investment gains from associates and joint ventures in 2024 while the share of investment gains were approximately RMB34.4 million in 2023. The decrease in the investment gains recorded from associates and joint ventures was mainly attributable to the change in the results of associates during the year under review.

Loss on Credit Impairment

Loss on credit impairment of the Group increased to approximately RMB64.2 million in 2024 from approximately RMB36.9 million in 2023. For the years ended 31 December 2023 and 2024, loss on credit impairment as a percentage of total revenue accounted for approximately 3.1% and 5.9%, respectively. The increase in loss on credit impairment was mainly due to the increase in loss on credit impairment under the ECL model provided by the Company as a result of the longer cycle of recovery of loan receivables amid the sluggish macroeconomic environment.

Impairment Loss of Assets

Impairment loss of assets of the Group increased to approximately RMB34.8 million in 2024 from approximately RMB18.9 million in 2023. For the years ended 31 December 2023 and 2024, impairment loss of assets as a percentage of total revenue accounted for approximately 1.6% and 3.2%, respectively. The increase in impairment loss of assets was primarily due to the provision for impairment of inventories and the increase in impairment loss of goodwill during the year under review.

Total Profit

Based on the aforesaid reasons, the Group recorded operating losses of approximately RMB57.7 million in 2024, representing a year-on-year decrease of approximately 215.2% as compared to operating profit of approximately RMB50.1 million recorded in 2023, which was mainly attributable to (i) a decrease in the gross profit of Company's products for the year ended 31 December 2024 as affected by the construction progress of the railway projects and changes in the product structure; (ii) the change in the price of Hong Kong listed company securities originally held by the Company, resulting in increase in loss from changes in fair value and investment loss related to financial assets held for trading, and as of 31 December 2024, the Company no longer held Hong Kong listed company securities; and (iii) the increase in loss on credit impairment under the ECL model provided by the Company as a result of the longer cycle of recovery of loan receivables amid the sluggish macroeconomic environment.

Income Tax

Income tax expenses of the Group decreased to approximately RMB-6.7 million in 2024 from approximately RMB-0.2 million in 2023, which was mainly attributable to decrease 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 2024. The applicable tax rates for other subsidiaries in Mainland China were 25% and 20% for 2024.

Net Profit/Loss

Based on the aforesaid reasons, the net profit decreased by approximately 201% from RMB50.3 million in 2023 to losses of approximately RMB51 million in 2024. Net profit margin decreased to approximately –4.7% for the year under review from approximately 4.2% for the year ended 31 December 2023.

Net Profit/Loss Attributable to Owners of the Parent

The Group's net losses attributable to owners of the parent amounted to approximately RMB50.8 million in 2024, representing a decrease of approximately 202.8% from approximately RMB49.4 million in 2023. In 2024, basic losses per share amounted to approximately RMB0.06, as compared to the basic earnings per share of approximately RMB0.06 in 2023.

Financial Resources and Capital Structure

As at 31 December 2024, the Group had cash and cash equivalents of approximately RMB101 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.

As at 31 December 2023, the Group had cash and cash equivalents of approximately RMB90.1 million, accounts receivable of approximately RMB1,188.9 million, accounts payable of approximately RMB350.3 million, and outstanding borrowings of approximately RMB506.7 million. As at 31 December 2023, the above cash and cash equivalents included approximately RMB0.7 million equivalents of Hong Kong dollars.

* *For identification purpose only*

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 and issued a total of 224,460,000 H Shares. As at 31 December 2024, the outstanding borrowings of the Group included total short-term borrowings of approximately RMB125.6 million, total non-current liabilities of approximately RMB92.9 million due within one year and total long-term borrowings of approximately RMB384.3 million. The Group will promptly repay the aforesaid borrowings when due.

Total Assets

As at 31 December 2024, the total assets of the Group were approximately RMB3,501.5 million, representing an increase of approximately RMB62.3 million or approximately 1.8% from those as at 31 December 2023, which was mainly attributable to the increase in inventories at the end of the year.

Total Liabilities

As at 31 December 2024, the total liabilities of the Group were approximately RMB1,107.1 million, representing an increase of approximately RMB146.8 million or approximately 15.3% from those as at 31 December 2023, which was mainly attributable to the increase in bank borrowings at the end of the year.

Total Equity

As at 31 December 2024, the total equity of the Group was approximately RMB2,394.4 million, representing a decrease of approximately RMB84.5 million from that as at 31 December 2023, which was mainly attributable to the decrease 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 2024, the Group's gearing ratio was 17.3%, representing an increase of 2.9 percentage points as compared to 14.4% as at 31 December 2023, which was mainly attributable to the increase in total borrowings at the end of the year.

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(I) 21 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 2024, the Group incurred total staff costs of approximately RMB109.3 million for 1,277 employees, representing a decrease of approximately RMB2.2 million or approximately 2.1% as compared to the same period of 2023, which was mainly attributable to the decrease in the number of employees during the year under review.

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, rules and regulations in the PRC, the Group participates in the basic pension insurance scheme (the "**Basic Pension Insurance Scheme**") formulated by the government of the PRC for all employees of the Group. The Group made contributions to the Basic Pension Insurance Scheme at a fixed rate of 16% of the payment base, which is calculated with reference to the overall average income of employed persons announced by the government from time to time, for the year ended 31 December 2024 (2023: 16%). Employees were required to make contributions to the Basic Pension Insurance Scheme at a fixed rate of 8% of the said payment base for the year ended 31 December 2024 (2023: 8%). Upon reaching the statutory retirement age, the employee will receive a basic pension on a monthly basis. For the year ended 31 December 2024, the basic pension insurance premium paid by the Group amounted to approximately RMB10.02 million (2023: RMB9.7 million). The increase over the previous year was mainly due to the increase in the payment base 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 2024, the Group had no defined benefit plan.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhang Haijun (張海軍), aged 72, 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, in which 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 55, 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, Nomination Committee and Strategy 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 appointed as the chief financial officer in January 2012.

* *For identification purpose only*

Biographical Details of Directors, Supervisors and Senior Management *(Continued)*

Mr. Zhang Lihuan (張力歡), aged 42, 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 July 2015, 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 39, 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 43, 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 and has served successively as a quality management staff, and deputy chief and chief of quality management department. 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.

NON-EXECUTIVE DIRECTOR

Ms. Zheng Zhixing (鄭知行), aged 40, 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 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*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jip Ki Chi (葉奇志), aged 55, 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. 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 authorized 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 has been 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 Sunny Side Up Culture Holdings 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 *(Continued)*

Mr. Wang Fuju (王福聚), aged 64, 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-Dajiawa 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 Liguo (張立國), aged 67, 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.

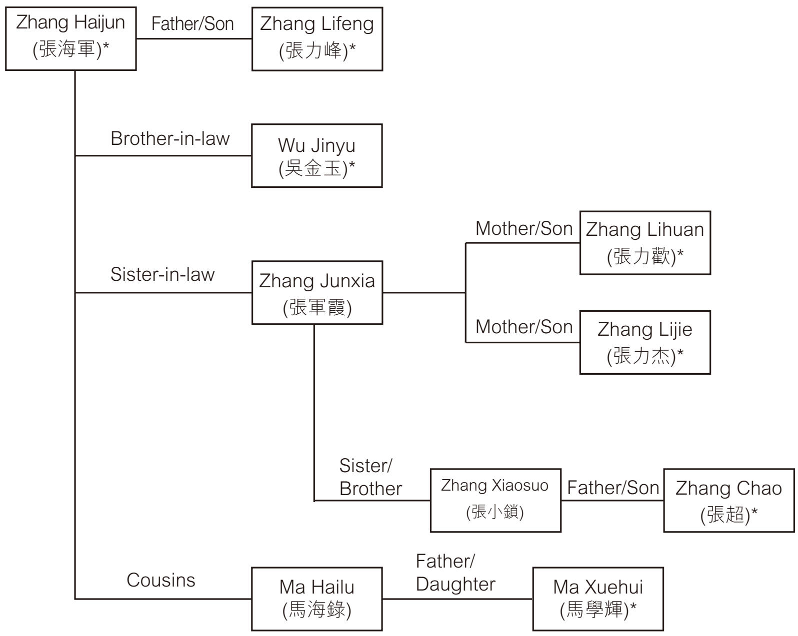
From December 2017 to December 2023, Mr. Zhang was the independent director of Zhejiang Tiantie Industry Co., Ltd. (浙江天鐵實業股份有限公司) (the shares of which are listed on the ChiNext of the Shenzhen Stock Exchange, stock code: 300587). From April 2018 to April 2022, Mr. Zhang was a special expert of CCCC Railway 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 *(Continued)*

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 *(Continued)*

SUPERVISORS

Mr. Guan En (管恩), aged 37, 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 47, 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 manager for machine repair workshop and is currently the director of the technical department. Mr. Liu has extensive experience in corporate management.

Mr. Zhou Hao (周浩), aged 38, 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 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 44, 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 July 2015. 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 71, 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 has been appointed as our deputy general manager since January 2012.

Mr. Zhang Lijie (張力杰), aged 45, 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 became the supervisor of our supplies department in December 2009 and has been promoted to our deputy general manager since January 2012.

Mr. An Baoyun (安保雲), aged 65, 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 2024, 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 2024, 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 2024 are set out in Note V(I) 34 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As of 31 December 2024, the relevant Trustee of the H Share Award Scheme of the Company purchased an aggregate of 9,232,000 H shares of the Company from the market, at the average purchase price of approximately RMB2.69 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 2024. As at 31 December 2024, 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 2024.

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 2024.

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 under certain influence of individual factors, mainly including:

1. Risk of Market Competition

Increase in demand of China's railway transportation has led to a significant increase in demand of the rail fastening system. Growth in rail fastening system market has caused 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 our 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, and hence further consolidating and enhancing its industry position.

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 take 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 2024, the Group makes contributions to the Basic Pension Insurance Scheme at a fixed rate of 16% of the contribution base (2023: 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 2024, employees are required to make contributions at a fixed rate of 8% of the contribution base to the Basic Pension Insurance Scheme (2023: 8%). After reaching the statutory retirement age, employees will receive a basic pension on a monthly basis. For the year ended 31 December 2024, the Group's contributions to basic pension premiums amounted to approximately RMB10.02 million (2023: RMB9.7 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 an employer) to reduce contributions payable in future years.

The Group had no defined benefit plan for the year ended 31 December 2024.

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 suppliers. 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 2024, 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" in this annual report.

For information about the Group's environmental policies and performance, please refer to "Environmental, Social and Governance Report" in 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" in this "Report of the Board of Directors".

All the aforementioned sections and parts in 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 2024, 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 State Railway Group, in 2025, it will fully complete the national railway investment through facilitating national key projects with high quality, spare no efforts in completing infrastructure investment of RMB590 billion and put 2,600 kilometers of new lines into operation.

On 26 December 2024, the National Railway Supervision and Management Work Meeting (全國鐵路監督管理工作會議) was held in Beijing, at which it was emphasised that year 2025 marks the concluding year of the "14th Five-Year Plan", and therefore, it is necessary to accurately grasp the strategic intent of the CPC Central Committee, have profound understanding about the opportunities and challenges in the railway development, coordinate the effective market and the government, supply and demand, cultivate new driver and renew the old ones, optimise for incremental growth and revitalise the stock, improve the quality and increase the total quantity. In addition, it will adhere to the principle of seeking progress while maintaining stability, promoting stability with progress, insist on the problem-oriented and goal-oriented, strictly follow the principle of preservation and innovation, establish new growth drivers before abolishing the old ones, and remain steadfast in system integration and synergistic cooperation, so as to facilitate the realisation of key tasks and objectives with the best efforts.

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, 29 May 2025. Shareholders may refer to the circular, notice and form of proxy of the AGM issued by the Company for details regarding the meeting.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of RMB0.0168 per Share (tax inclusive) for the year ended 31 December 2024 (the "**2024 Final Dividend**") with an aggregate net amount of RMB15,083,712 to the Shareholders whose names appear on the Company's register of members as at Friday, 6 June 2025, subject to the approval by the Shareholders at the forthcoming AGM to be held on Thursday, 29 May 2025. Subject to the passing of the relevant resolution at the AGM, the 2024 Final Dividend is expected to be paid on or around 23 July 2025.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**"), pursuant to which the Company may declare and distribute 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, our cash flows, our financial condition, our Shareholders' interests, our capital requirements, our 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 median 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 2024 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, 6 June 2025.

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 2024 Final Dividend pursuant to the register of members of domestic corporate investors as holders of H shares of the Company as at Friday, 6 June 2025 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.

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 2024 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, 6 June 2025 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, 6 June 2025 (the "**Registered Address**"). The Company assumes no responsibility and disclaims any liabilities 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;

- 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, 3 June 2025. 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) (《非居民納税人享受税收協定待遇管理辦法》(國税發[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, 29 May 2025, the register of members of the Company will be closed from Monday, 26 May 2025 to Thursday, 29 May 2025 (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, 29 May 2025 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 Friday, 23 May 2025 (Hong Kong time) for share transfer registration.

In order to determine the list of Shareholders who are entitled to the 2024 Final Dividend, the register of members of the Company will be closed from Wednesday, 4 June 2025 to Friday, 6 June 2025 (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, 6 June 2025 are entitled to the 2024 Final Dividend. Holders of H shares of the Company intending to receive the 2024 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, 3 June 2025 (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 2024, 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 2024, the sales revenue from our five largest customers and the largest customer represented 36.38% and 16.14% of the Group's operating revenue, respectively.

During such period, the procurement expenses to our five largest suppliers and the largest supplier represented 53.61% and 27.09% 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 2024, 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 2024 are set out in Notes V(I) 22, 29 and 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company had distributable reserves denominated in Renminbi of approximately RMB1,143.6 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 2024, please refer to the section headed "B8 Community Investment" in the "Environmental, Social and Governance Report" for details.

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(I) 13, 14 and 16 to the consolidated financial statements, respectively.

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

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2024.

The Group had no significant investment held during the year ended 31 December 2024.

The Group did not have any future plans for material investments or capital assets as at the date of this report.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the year ended 31 December 2024, 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, the term of office of all Directors commenced from 2 December 2024 and will all expire on 1 December 2027, unless 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. The terms of all Supervisors commenced from 2 December 2024 and will all expire on 1 December 2027, unless 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 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 with each of the Directors and Supervisors. 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.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

Details of remuneration of Directors and Supervisors of the Company for the year ended 31 December 2024 are set forth in Note XI(II) 5 to the audited consolidated financial statements.

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

The distribution of remuneration of senior management (other than Directors and Supervisors as disclosed in Note XI(II) 4 to the consolidated financial statements) for the year ended 31 December 2024 is as follows:

Remuneration bands	Number of individuals
RMB100,001 to RMB200,000	2
RMB200,001 to RMB300,000	0
RMB300,001 to RMB400,000	2

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Apart from as disclosed under the section headed "Continuing Connected Transactions" in 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 2024, 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.

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

As at 31 December 2024, so far as known to the Directors, 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 corporation (within the meaning of Part XV of the SFO) (a) which are 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) which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which are 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:

		Number of Shares					
Name	Capacity	Personal interest	Interest of spouse	Deemed interest pursuant to Section 317 of the SFO (Note 1)	Total number	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. 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 together 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 2024, 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 which were 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.

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

As at 31 December 2024, 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	83,873,136		
		Deemed interest pursuant to Section 317 of the SFO	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	83,477,508		
		Deemed interest pursuant to Section 317 of the SFO	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	83,675,322		
		Deemed interest pursuant to Section 317 of the SFO	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	26,355,534		
		Deemed interest pursuant to Section 317 of the SFO	546,497,240		
			572,582,774	85.07%	63.80%

Report of the Board of Directors *(Continued)*

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%

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	31,376,000	13.98%	3.49%
Ms. Zhang Zimo (張紫墨) ("**Ms. Zhang**") (Note 18)	H Shares	Interest of spouse	31,376,000	13.98%	3.49%
Mr. Li Yanhao (李艷浩) ("**Mr. Li**") (Note 18)	H Shares	Interest of controlled corporation	31,376,000	13.98%	3.49%
Ms. Feng Dasha (封達莎) ("**Ms. Feng**") (Note 18)	H Shares	Interest of spouse	31,376,000	13.98%	3.49%
Vistra Trust (Singapore) Pte. Limited (Note 18)	H Shares	Trustee	31,376,000	13.98%	3.49%
Cyber Warrior Holdings Limited (Note 18)	H Shares	Interest of controlled corporation	31,376,000	13.98%	3.49%
Brainstorming Cafe Limited (Note 18)	H Shares	Interest of controlled corporation	31,376,000	13.98%	3.49%
Flowing Cloud Technology Ltd (Note 18)	H Shares	Beneficial owner	31,376,000	13.98%	3.49%
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%

Report of the Board of Directors *(Continued)*

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 31,376,000 H Shares are held by Flowing Cloud Technology Ltd;

– Flowing Cloud Technology Ltd is controlled as to approximately 42.21% by Brainstorming Cafe Limited, which is in turn owned as to approximately 61.05% by Cyber Warrior Holdings Limited, 26.16% by Wanglei Co., Ltd. and 12.79% by LYH. Ltd;

– Cyber Warrior Holdings Limited is controlled as to 100% by Vistra Trust (Singapore) Pte. Limited, a trustee under Waterstones Trust, a discretionary trust of which Mr. Wang is the settlor and protector;

– Mr. Wang and Mr. Li have entered into a concert party agreement, pursuant to which they confirmed, among other things, that they have been and shall continue to give unanimous consent, approval or rejection on any material issues and decision in relation to the business of Flowing Cloud Technology Ltd;

– Ms. Zhang is the spouse of Mr. Wang;

– Ms. Feng is the spouse of Mr. Li; and

– Accordingly, under the SFO, each of Mr. Wang, Mr. Li, Vistra Trust (Singapore) Pte. Limited, 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, Ms. Zhang is taken to be interested in the H Shares in which Mr. Wang is interested, and Ms. Feng is taken to be interested in the H Shares in which Mr. Li 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 2024, 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 contribution which the Eligible Participants have made or may make 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 vest 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.

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 without limitation the Group's business and operational conditions, its business plans and cashflow 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 not issue and shall not 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 the making of an Award under the Scheme, the Board shall notify the Trustee in writing, providing 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, subject to and upon which the awarded Shares held by the Trustee upon trust and which are referable 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, become vested, been cancelled or lapsed under the Scheme, and hence as at the date of this annual report, the number of Shares available for Awards under the Scheme is 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 2024, the Trustee (or its nominee) purchased 9,232,000 H Shares from the market under the Scheme. As at the date of this annual report, the number of unvested and ungranted H Shares held by the Trustee (or its nominee) of the Scheme was 9,232,000.

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 business with any individual in 2024.

SIGNIFICANT CONTRACTS

Apart from as disclosed under the section headed "Continuing Connected Transactions" in 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 2024, 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 ("**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.

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 2024 to 31 December 2024, 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 RMB44.9 million (inclusive of value added tax).

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 the "Assurance Engagements other than Audits or Reviews of Historical Financial Information" of Hong Kong Standard on Assurance Engagements 3000 (Revised) 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 2024 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 2024 that were not exempt from the disclosure requirements under Chapter 14A of the Listing Rules.

PUBLIC FLOAT

Based on the publicly available information to the Company and within the knowledge of the Directors, not less than 25% of the 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 the requirement of the Listing Rules.

EVENTS AFTER REPORTING PERIOD

As at the date of this report, no 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 2024 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 at 31 December 2024, 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 its 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" in this annual report.

For the year ended 31 December 2024, the Group had not sold products to sanctioned countries. 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 2024 prepared in accordance with the PRC Accounting Standards.

CHANGES IN THE INFORMATION OF DIRECTORS AND SUPERVISORS

The changes in Directors and Supervisors that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out as follows:

1. Mr. Zhou Hao(周浩) was appointed as the staff representative Supervisor on 2 December 2024.

2. Mr. Hu Hebin (胡合斌) resigned as the staff representative Supervisor on 2 December 2024.

3. Mr. Zhang Lihuan served as the manager of Hebei Yichen Packaging Products Co., Ltd.* (河北翼辰包裝製品有限公司) from March 2024, and the manager of Hebei Yichen International Trade Co., Ltd.* (河北翼辰國際貿易有限公司) from March 2025.

4. Following the election of the fourth session of the Board of Directors and Board of Supervisors, the Company has entered into the service agreements with the executive Directors, the appointment letters with the non-executive Director and the independent non-executive Directors, and the service agreements with the Supervisors on 2 December 2024.

For details, please refer to the above section headed "Service Contracts of Directors and Supervisors" in the Report of the Board of Directors.

Save for the information disclosed herein, there is no other information required to be disclosed 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 30 May 2024 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 2024 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 2024 is set out on page 4 of this annual report.

By Order of the Board
Zhang Haijun
Chairman

Hebei, China

27 March 2025

* *For identification purpose only*

REPORT OF SUPERVISORY BOARD

In 2024, the entire Supervisory Board of the Company performed its 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. It worked in the principle of integrity and for the long-term interests of the Company and the rights and interests of Shareholders. Below sets out 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 2023'" (《關於審議《2023年度業績公告草稿》的議案》), "Resolution on the Consideration of the 'Report of Supervisory Board for the Year 2023'" (《關於審議《2023年度監事會報告》的議案》), "Resolution on the Consideration of the 'Corporate Governance Report for the Year 2023'" (《關於審議《2023年度企業管治報告》的議案》), "Resolution on the Consideration of the 'the Profit Distribution Plan of Hebei Yichen Industrial Group Corporation Limited for the Year 2023'" (《關於審議《河北翼辰實業集團股份有限公司2023年度利潤分配》的議案》) were deliberated and approved by the sixth meeting of the third session of the Supervisory Board convened on 27 March 2024.

2. "Resolution on the Consideration of the 'Draft of Annual Report for the Year 2023'" (《關於審議《2023年度年報草稿》的議案》), "Resolution on the Consideration of the 'ESG Report for the Year 2023'" (《關於審議《2023年度ESG報告》的議案》) were deliberated and approved by the seventh meeting of the third session of the Supervisory Board convened on 19 April 2024.

3. "Resolution on the Consideration of the 'Draft of Interim Report and Draft of Interim Results Announcement for the Year 2023'" (《關於審議《2023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 2023'" (《關於審議《2023年度 中期利潤分配》的議案》) were deliberated and approved by the eighth meeting of the third session of the Supervisory Board convened on 29 August 2024.

4. "Resolution on the Consideration of the 'Election of New Session of Supervisory Board and Nomination of Candidates for Shareholders Representative Supervisors of Fourth Session of Supervisory Board of Hebei Yichen Industrial Group Corporation Limited'" (關於審議《關於河北翼辰實業集團股份有限公司監事會換屆選舉暨提名第四屆監事會股東代表監事候選人》的議案》), "Resolution on the Consideration of the 'Service Contracts of Supervisors'" (《關於審議《監事服務合同》的議案》) were deliberated and approved by the ninth meeting of the third session of the Supervisory Board convened on 17 October 2024.

5. "Resolution on the Consideration of the 'Election of Mr. Guan En as the Chairman of the Fourth Session of the Supervisory Board'" (《關於審議《關於選舉管恩先生為第四屆監事會主席》的議案》) was deliberated and approved by the first meeting of the fourth session of the Supervisory Board convened on 2 December 2024.

All the Supervisors attended the above meetings.

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 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 2024, 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 2024 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 2024.

4. Execution of the Resolutions Passed at the General Meeting

The Supervisory Board attended the general meeting for the year, where 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

27 March 2025

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 2024.

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 2024, the Company has complied with all the code provisions as set out in the CG Code.

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 2024.

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
Mr. Zhang Liguo
Mr. Wang Fuju

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 19 December 2024.

During the year ended 31 December 2024, the Board held 5 meetings and the Directors' attendance records are as follows:

Name of Directors	Attendance
Mr. Zhang Haijun *(Chairman)*	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 Fuju	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 2024, 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 2024, 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 2024, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

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.

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.

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 2024 are summarized as follows:

Directors	Type of Training Note
Executive Directors	
Mr. Zhang Haijun	A, B
Mr. Wu Jinyu	A
Mr. Zhang Chao	A, B
Mr. Zhang Lihuan	A
Ms. Ma Xuehui	A, B
Non-executive Director	
Ms. Zheng Zhixing	A
Independent Non-executive Directors	
Mr. Jip Ki Chi	A, B
Mr. Zhang Liguo	A, B
Mr. Wang Fuju	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 *(Appointed with effect from 2 December 2024)*
Mr. Hu Hebin *(Resigned with effect from 2 December 2024)*

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.

Corporate Governance Report *(Continued)*

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. Upon expiration of the term of office of the Third Session of the Board of Supervisors, Mr. Hu Hebin retired from his position as the staff representative Supervisor and did not stand for re-election due to his desire to devote more time to his personal affairs. Mr. Zhou Hao was appointed as the staff representative Supervisor of the Fourth Session of the Board of Supervisors to fill the vacancy following the retirement of Mr. Hu 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.

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.

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 Liguo and Mr. Wang Fuju. 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 2024, the annual financial results and reports as at 31 December 2023 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.

Corporate Governance Report *(Continued)*

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 2024.

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 *(Chairman)*	2/2
Mr. Zhang Liguo	2/2
Mr. Wang Fuju	2/2

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 Liguo. Mr. Zhang Liguo 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 2024.

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 Liguo *(Chairman)*	2/2
Mr. Jip Ki Chi	2/2
Mr. Wu Jinyu	2/2

Nomination Committee

The Nomination Committee consists of three members, including one executive Director, namely Mr. Wu Jinyu, and two independent non-executive Directors, namely Mr. Wang Fuju and Mr. Zhang Liguo. Mr. Wang Fuju is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are 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
- To assess the independence of the independent non-executive Directors
- To consider and make recommendations to the Board on the re-election of Directors

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 Fuju *(Chairman)*	2/2
Mr. Wu Jinyu	2/2
Mr. Zhang Liguo	2/2

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.

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: 2 Directors
41-50: 2 Directors
51-60: 2 Directors
Above 60: 3 Directors

Designation
Executive Directors: 5 Directors
Non-executive Directors: 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.

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	34.3% (438)	64.7% (826)
Overall workforce	34.5% (440)	65.5% (837)

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 35.2% (450) of female employees by the end of 2025.

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 93 to 94 of this Annual 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.

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 Fuju. 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 2024, 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.

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 *(Chairman)*	1/1
Mr. Zhang Chao	1/1
Mr. Wang Fuju	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 Liguo. 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 *(Chairman)*	2/2
Mr. Wu Jinyu	2/2
Mr. Zhang Liguo	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.

Corporate Governance Report *(Continued)*

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

- 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 2024. The Board has reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2024, 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.

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.

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 2024.

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 2024, 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 2024 consolidated financial statements prepared under China Accounting Standards for Business Enterprises.

The remuneration for the year ended 31 December 2024 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 RMB1.5 million).

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.

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@hbyc.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.

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 2024, the Company held the annual general meeting on 30 May 2024 and the EGM on 2 December 2024 respectively, the Shareholders passed the ordinary and special resolutions as set out in the circular dated 29 April 2024 and 12 November 2024 respectively.

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	EGM Attendance
Mr. Zhang Haijun	1/1	1/1
Mr. Wu Jinyu	1/1	1/1
Mr. Zhang Chao	1/1	1/1
Mr. Zhang Lihuan	1/1	1/1
Ms. Ma Xuehui	1/1	1/1
Ms. Zheng Zhixing	1/1	1/1
Mr. Jip Ki Chi	1/1	1/1
Mr. Zhang Liguo	1/1	1/1
Mr. Wang Fuju	1/1	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) 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.

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 or call its hotline at (852) 2862 8555, or go in person to its public counter at Shop 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 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.

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 2024, 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**", the "**Company**") are pleased to issue our ninth Environmental, Social and Governance (ESG) Report (the "**Report**"). The Report discloses the environmental, social and governance ("**ESG**") management guidelines, measures and performance of the Company other than our financial results for the year 2024 in an open and transparent manner to respond to the concerns and expectations of our stakeholders and the general public on our sustainable development. We will work hand-in-hand with all parties along our value chain to continuously promote our sustainability governance. The Report is available on the Company's website (http://hbyc.com.cn) under the page of Investor Relations – Financial Reports and the Stock Exchange's website (http://www.hkexnews.hk).

Reporting Period and Scope

The Report covers the period from 1 January 2024 to 31 December 2024 (hereinafter referred to as the "**Year**", the "**Reporting Period**"). To enhance comparability, part of the contents retrospect to previous years. The scope 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 engaged in the design and manufacturing of welding materials, Xingtai segment engaged in the manufacturing and sales of railway sleeper products, and Shenyang segment engaged in sales. For details of the business of the Company, please refer to the financial report 2024 of the Company.

Preparation Basis of Report

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

Reporting Principles

The Report provides a holistic view of the current management and work effectiveness of the Company in the area of ESG in accordance with the reporting principles of "materiality", "quantitative", "balance" and "consistency".

Reporting principles	Definitions	Our responses
Materiality	The contents of the report should focus on issues of significant impacts on stakeholders and the corporate itself to ensure that the information disclosed effectively reflects the key risks and opportunities of the corporate.	In accordance with the requirements of the Guide of the Stock Exchange and other relevant principles, and 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, and made disclosure based on the results of the materiality assessment.
Quantitative	The report should disclose the corporate's ESG performance with quantitative data and metrics.	The Report provided a quantitative disclosure of the applicable key performance indicators ("**KPIs**") under the "Environment" and "Social" areas of the Guide. 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 performance in sustainable development.	The Report provided an unbiased statement of the work results of the sustainability issues that have a material impact on the Company's business, as well as the challenges faced therein.
Consistency	The report should use consistent methodologies.	Unless otherwise stated, the scope of disclosure and reporting method of the Report were generally consistent every year to ensure comparability.

ABOUT US

The Company is a leading rail fastening system provider in China's railway industry with over twenty years of experience. Our product supply covers the whole country, including all the "Eight Vertical and Eight Horizontal" high-speed railway corridors. Leveraging on our profound experience in the industry, we have become one of the few rail fastener system manufacturers in China capable of producing the core components of rail fastener systems. We are also able to provide various components of rail fastener systems continuously. To meet the diversified needs of high-speed railway, heavy-haul railway, normal-speed railway and urban rail transit series, we have also developed a comprehensive portfolio of rail fastener systems. As one of China's seven high-speed railway fastening system integration providers certified by China Railway Test & Certification Center, and the only private company in Mainland China that has attained such certification, in recent years, we have completed a number of "China First" milestone projects and participated in high-speed railway, heavy-haul railway and other railway projects with harsh operational environment.

Our product portfolio covers rail fastening system and welding material, and our products are widely used in China's railway network, including railways in plateau, cold and high-temperature regions, heavy-haul railways and other demanding projects. In terms of welding products, we primarily manufacture flux cored wire products for steel plates, with our main customers being shipbuilding companies and trading companies engaging in the shipbuilding industry.

The Company has obtained various important certifications, including but not limited to the certifications for three systems, namely the ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System and ISO 45001:2018 Occupational Health and Safety Management System; in addition, our rail fastening system products have passed the China Railway Product Certification Center CRCC certification; our flux cored wire products have been certified by the classification societies in nine countries; our laboratory passed the laboratory accreditation of CNAS in 2016; and we have been recognised as a national high-tech enterprise in 2015, 2018, 2021 and 2024.

We have developed a well-established quality assurance system that meets the high standards of the industry and equipped with various advanced inspection and testing facilities to ensure superior quality of our products. We have set up physical laboratories, chemical analysis rooms and welding laboratories, and are able to conduct comprehensive performance evaluations and analyses. In terms of equipment, we possess universal hydraulic testing machines, fatigue testing machines, spectrums, metallographic microscopes, and Brinell/Rockwell/Vickers hardness testers, etc. With excellent pre-sales and after-sales tracking services, we continuously research and develop new products based on market changes, striving to keep abreast of high technology.

We will continue to consolidate our leading position in the field of railway fastening system through constant technological innovation as well as quality products and services.

BOARD DECLARATION

The Board places great emphasis on the Company's sustainable development and 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. The following is the declaration made by the Board regarding the supervision and management of ESG:

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. In addition, 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, reviewing the implementation of ESG-related policies and objectives, and identifying ESG risks and opportunities for the Company, and report to the Board on a regular basis. An ESG working group has been set up under the Leading Working Group, which is responsible for data collection and report compilation, maintaining close communication with different departments, identification and analysis of issues that stakeholders may concern, and making regular reports to the ESG Leading Working Group.

We attach great importance to the potential impact of ESG-related risks and opportunities and incorporate the identification and management of ESG-related risks into the Company's risk management system. The ESG Leading Working Group oversees the assessment of ESG-related risks and opportunities and ensures that appropriate and effective ESG risk management and internal supervision systems are in place.

We have established sustainable development strategies and objectives for the Company, conducted regular assessments of material ESG issues and reported the results to the ESG Leading Working Group for review and assessment, in a bid to provide guidelines for the management in optimising the management system of ESG objectives. The ESG Leading Working Group conducts regular reviews of the ESG objectives and reports to the Board. We have established objectives covering the scope of exhaust gases and greenhouse gases, wastes, energy and water and conducted regular review to strengthen our management of the Company's environmental performance. We are also committed to have continuous review of the progress of our ESG objectives and any necessary adjustments or improvements thereof in the future to ensure that sustainability issues can be monitored and improved in a more effective way.

In the future, 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 2024, has been reviewed and approved by the Board on 27 March 2025.

ESG GOVERNANCE

ESG Governance Structure

By deeply integrating the ESG philosophy into the Company's operation and management, the Company continues to strengthen its communications with all stakeholders and enhance its sustainable development capabilities. We attach great importance to the significance of effective ESG initiatives to business operation. To this end, we have established a top-down ESG management structure comprising four tiers with the Board as its core, aiming to ensure the effectiveness and comprehensiveness of ESG management.

As the top ESG governance body of the Company, the Board implements a top-down governance model with full support from the ESG working group. The Board is responsible for formulating the Company's sustainability management guidelines, strategies and objectives. While working together with the management to improve the Company's value and performance, the Board also assumes the responsibility for assessing and identifying risks in relation to ESG matters. In addition, the Board is responsible for preparing the annual ESG report and overseeing the reporting process, as well as considering and approving the release of relevant reports.

ESG Leading Working Group is responsible for assisting in providing effective supervision on ESG matters, reviewing the implementation of relevant policies and objectives. The working group reviews the Company's implementation of ESG-related policies and objectives on a regular basis, conducts in-depth analysis of current ESG risks and opportunities, and reports its findings and suggestions to the Board.

ESG working group is responsible for close collaboration with various departments to gain an in-depth understanding of their work, as well as collecting and analysing ESG issues that may be of concern in their daily contact with stakeholders. The working group will collect feedback from stakeholders directly in the form of questionnaires when necessary. It will sort out and integrate the ESG issues, the results of which will be presented to and discussed with the ESG Leading Working Group. The ESG Leading Working Group will also analyse the risks and opportunities of the ESG issues from the materiality assessment and then report its analysis to the Board.

Under the guidance of the ESG working group, all functional departments actively carry out ESG practices, ensuring that the Company's ESG strategies and policies are effectively implemented by employees in their daily work. The cooperation among departments is crucial for identifying and analysing ESG issues of concern to the stakeholders. It also promotes building the culture of sustainability across the Group.

Environmental, Social and Governance Report *(Continued)*

We actively integrate ESG into our corporate development through the establishment and management enhancement of our ESG system. Meanwhile, by continuous tracking of global industry changes and active monitoring of the risks and opportunities from external environment and industry development, we conduct in-depth analyses of the potential impacts of various risks and take corresponding measures, with an aim to strengthen our resilience and the ability to intervene through action in the face of global changes, thereby improving the sustainable development capabilities of the Company and relevant parties and promoting high-quality ESG management.

Stakeholder

The Company fully recognises that the opinions of stakeholders from all walks of life are essential to our sustainable development. We have established a communication mechanism with various channels to engage in an ongoing, open and transparent conversation with stakeholders, so as to understand their changing expectations of the Company's business, and seize opportunities to improve our approach to sustainability.

We have identified seven categories of external and internal stakeholders, comprising governments and regulators, shareholders and investors, customers, suppliers, staff, local communities and media. During the year, we continued to engage with them on a regular or ad hoc basis in different ways to ensure effective communication on materiality issues, integrated the analysis results of these issues into the Company's daily operations and worked hand-in-hand with stakeholders to advance sustainable development.

Stakeholders	Expectations	Communication channels
Governments and regulators	✧ Compliance operation ✧ Tax payment ✧ Business and economic development ✧ Social contribution	• Financial reports, announcements, notices and other public information • Communication by e-mail and phone call • Meeting/seminar participation • Meeting with government officials
Shareholders and investors	✧ Return on investment ✧ Information disclosure ✧ Protection of shareholders' interests ✧ Compliance operation and management ✧ Anti-corruption	• Financial reports, announcements, notices and other public information • General meetings • Roadshow/telephone conference/conference with investors/shareholders • Enquiry through phone call/e-mail • Investors on-site visits • Information disclosure on the websites of the Stock Exchange and the Company
Customers	✧ Product and service quality ✧ Fair and reasonable price ✧ Contract performance ✧ Smooth channels for complaint	• Daily communications • Official meetings with customers • On-site inspection • E-mail
Suppliers	✧ Fair competition ✧ Long-term business relationship ✧ Fair and reasonable price ✧ Contract performance	• Daily communication • Meeting with suppliers • On-site inspection • E-mail

Stakeholders	Expectations	Communication channels
Staff	✧ Protection of staff's interests ✧ Occupational health and safety ✧ Staff welfare improvement ✧ Training and career development space ✧ Annual performance appraisal ✧ Career development and opportunities	• Staff activities • Staff forums • Staff regular memoranda • Collection of staff opinions through direct communication • Staff training, seminars and briefings • Team building and other cultural events
Local communities, NGOs, potential customers and the public	✧ Employment opportunity ✧ Ecological environment ✧ Climate change ✧ Community development ✧ Public welfare ✧ Reduction of pollutant emission	• Charity events • Community investment and service • Stakeholder engagement • Environmental protection activities
Media	✧ Information transparency ✧ Sound relationship with the media	• Information disclosure on the websites of the Stock Exchange and the Company • Financial reports, announcements, notices and other public information

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.

Process of material issue analysis

1. Review of the results of the previous year
   Conduct peer benchmarking and review the analysis results of the previous year based on our strategic direction.

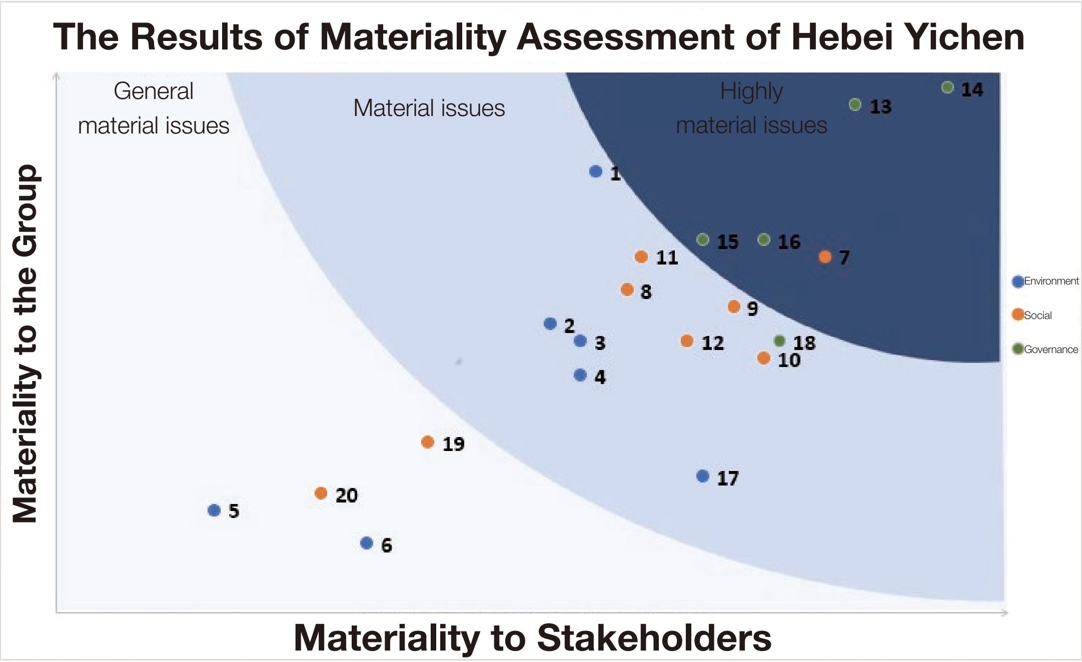
2. Identification of ESG issues
   Identify ESG issues related to the Company by considering the expectations of key stakeholders and the ESG background, business activities and development plans of the Company, as well as the concerns of the capital markets with reference to the Guide issued by the Stock Exchange.

3. Ranking by materiality
   Conduct internal and external stakeholder surveys from the perspective of Hebei Yichen and its stakeholders to confirm the materiality of each ESG issue.

4. Review and approval
   The results of the analysis are reviewed by the ESG Leadership Working Group and final approval of the ESG material issues is given by the Board.

During the Year, we carried out a new round of identification and analysis of material issues, and identified the ESG issues that are most relevant to our business activities and of greatest concern to the stakeholders, covering a total of 20 items across the three major areas of environment, social and governance. We added two new issues, namely “use of packaging materials” and “anti-corruption”, as compared with the results of the last assessment. After the surveys and assessments with stakeholders, we have formed the following materiality matrix: issues with higher materiality are in the upper right of the matrix, while issues with lower materiality are in the lower left.

Environmental, Social and Governance Report *(Continued)*



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, particulars of our work and KPIs as defined in the Guide by the Company, which are considered to be relevant and significant to the Company's operations, will be introduced in the following four subject areas, namely "Building a Green Home Together by Implementing Low Carbon and Environmental-friendly 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".

BUILDING A GREEN HOME TOGETHER BY IMPLEMENTING LOW CARBON AND ENVIRONMENTAL-FRIENDLY MEASURES

In recognition of the importance of implementing low carbon and environmental-friendly measures, the Company is committed to working hand-in-hand with all parties in the creation of a greener ecological environment. We firmly promote the conservation of resources and energy as well as various ecological environmental protection measures. We proactively address the challenges of climate change and strive for efficient use of resources and energy to promote sustainable development. We will keep on exploring and innovating to enhance environmental awareness, and accumulate experience through practice to drive the green transformation of our Company, and ultimately make greater contribution to the global sustainable development.

As a leading rail fastening system provider in China's railway industry, our business scope is not only limited to the manufacturing of rail fastening systems, but also covers 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 attach great importance to the compliance of emission and pollution treatment. We ensure that the discharge of all pollutants during the Company's operation is in compliance with the relevant national standards. Meanwhile, the Company has obtained the "Sewage Discharge Permission" (《排污許可證》) issued by the Administrative Approval Bureau of Shijiazhuang E&T Development Zone.

The Company pays close attention to and strictly complies with the environmental laws and regulations of the PRC and the places where we operate, including but not limited to 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税法》), 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》) and the *Law of the PRC on Environmental Impact Assessment* (《中華人民共和國環境影響評價法》).

Environmental, Social and Governance Report *(Continued)*

On top of fully implementing the national energy and environmental protection policies, the Company systematically formulated a manual for the quality, environmental and occupational health and safety management system based on actual conditions, developed and implemented two core policy documents, namely the "Compilation of Energy Management System (《能源管理制度匯編》)" and "Compilation of Environment Management System (《環境管理制度匯編》)". For the Compilation of Energy Management System, it has established a scientific and comprehensive energy management system, and clarified the energy conservation accountability system from aspects including energy measurement, statistics, reporting and analysis. As a support, we have also introduced energy-saving reward and punishment systems and detailed energy-saving measures to ensure the continuous improvement of energy use efficiency. Meanwhile, for the Compilation of Environment Management System, it has built an all-round and multi-tier environmental protection management system, covering key processes such as project initiation, equipment operation and production process. To strengthen the implementation of these systems, we have established a regular meeting system for ecological environmental protection. We hold special meetings on a regular basis to study and make plans for ecological environmental protection, analyse and resolve existing problems, and ensure the effective implementation of all environmental protection measures. Through the establishment and implementation of this policy system, we have standardised and systemised for the long-term effective of energy management and environmental protection. This has laid a solid foundation for the sustainable development of the Company. We also obtained an environmental management system certification that meets the ISO14001:2015 standard.

During the Reporting Period, the Company has complied with relevant national and regional environmental laws and regulations and did not experience any external environmental pollution incidents or trigger any significant environmental events.

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

A1 Aspect: 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, and the direct carbon emissions are relatively low. During our production process, we consume natural gas for our boilers. Nitrogen oxides, sulphur dioxides and direct greenhouse gas emissions from combustion are the key indicators we focus on. At the same time, during the casting 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 take strict control measures and regularly maintain our dust removal facilities to effectively reduce the concentration of dust emissions. In addition, we have taken a series of rectification measures for non-fugitive and fugitive dust emissions. For non-fugitive dust emissions, the dust upon processing by water spray and bag-type dust filters is collected by air collection hoods before the exhaust gas is discharged through a 15-metre high mast. This measure effectively controls the spread of dust and reduces the impact on the surrounding environment. As for fugitive dust emissions, our production processes take place in sealed enclosures to reduce emissions. Meanwhile, a micro-mist dust reduction system is installed in our workshop aisles to ensure air humidity and further mitigate the possibility of fugitive emissions. In addition, a fresh air system is installed on the top of workshops to ensure air circulation and improve the working environment in our workshop.

In addition to emissions from the production processes, the unleaded gasoline and diesel used by our own vehicles also lead to carbon emissions, which belong to the mobile sources of greenhouse gas emissions. The gasoline and diesel used by the Company's vehicles are all purchased from qualified Sinopec gas stations to ensure fuel quality. All vehicles have passed the strict environmental inspection by local vehicle inspection agencies, and their emission indicators meet environmental requirements. To further mitigate the impact of our own vehicles on air quality and greenhouse gases, the Company has replaced all its forklifts for transportation purpose with models in line with the National III emissions standard. Currently, the Company owns a forklift that uses new energy, and will prioritise the use of new energy forklifts if there is any new demand. This not only further reduces environmental pollution in the production process, but also it contributes to building a clean and low carbon production environment. In addition, all forklifts are equipped with exhaust gas purification devices and are regularly maintained to ensure that these forklifts are in good operating condition and maintain the best fuel efficiency. These measures not only help to reduce environmental impact but also demonstrate our commitment to sustainable development.

In response to the nation's call for clean energy, the Company has installed photovoltaic power generation equipment in unused space on rooftops of its factories. Photovoltaic power generation is an important mean to reduce greenhouse gas emissions. By utilising solar energy, we have reduced our dependence on traditional energy sources and promoted the use of renewable energy. This has reduced overall energy consumption as well as the emissions of carbon dioxide and other hazardous gases, which helps to mitigate global warming and continuously improves local air quality.

Environmental, Social and Governance Report *(Continued)*

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

(Unit: kg) Types of air emissions	Sources of emission	2024 Emissions	2024 Density(Note 1)	2023 Emissions	2023 Density(Note 1)
Nitrogen oxides (NO_x)	• Natural gas • Company's vehicles	**812.08**	**5.07**	817.23	4.80
Sulphur dioxides (SO_x)	• Natural gas • Company's vehicles • Tractor shovels	**200.15**	**1.25**	202.27	1.19
Particulate matters (PM)(Note 2)	• Natural gas • Company's vehicles	**80.66**	**0.50**	81.26	0.48
Total		**1,092.89**	**6.83**	1,100.76	6.47

(Unit: tCO_2e)(Note 3) Scope of greenhouse gas emission	Sources of emission	2024 Emissions	2024 Density(Note 1)	2023 Emissions	2023 Density(Note 1)
Scope 1 Direct emission	• Natural gas consumption • Unleaded gasoline and diesel consumed by vehicles • Refrigerant • Reduction by planting new trees	**1,170.49**	**7.31**	1,174.71	6.91
Scope 2 Indirect emission	• Consumption of electricity	**68,004.72**	**424.68**	94,084.11	553.08
Total		**69,175.21**	**431.99**	95,258.82	559.99

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_2e**") (tonne) represents a unit of measurement based on the greenhouse effect produced per tonne of CO_2 to measure and compare the greenhouse effect from the emissions of different greenhouse gases, including carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O).

During the Reporting Period, the total air emissions amounted to 1,092.89 kg, the direct carbon emission under Scope 1 of greenhouse gas emission amounted to approximately 1,170.49 tonnes and the indirect carbon emission under Scope 2 amounted to approximately 68,004.72 tonnes. When compared with last year, the total air emissions for the Year decreased by 0.71% as compared with 2023 but density increased by 5.47%, and the total greenhouse gas emissions decreased by 27.38%, with density decreased by 22.86%. The Company has set targets for total air and greenhouse gas emissions which take 2021 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_2e/total annual production (kilotonnes)) over the next 3 years. As of 2024, the density of air and greenhouse gas emissions has increased as compared with 2021, mainly due to the impact of the following three aspects:

Firstly, the Company undertook a series of production facility construction projects from 2021 to 2024. The railway locomotive and components manufacturing construction project of Hebei Yichen (河北翼辰鐵路機車車輛配件製造建設項目) is the most important one. The project covers an area of approximately 120 acres. It includes two main production workshops with an area of approximately 57,000 square metres. As of the end of 2024, 95% of the project has been completed. Secondly, in order to improve the efficiency and continuity of the production process, the Company relocated the equipment from the original factory to the newly constructed production area in 2022 and 2023. Such relocation required the construction of supporting infrastructure, including new factories, logistics and transportation corridors, power and water supply facilities and other supporting facilities. It was unavoidable that the construction of these new production infrastructure would lead to an increase in emissions. Thirdly, to meet the changing customer demands, we laid out the plan for new product, solid wire, at the end of 2021. From 2022 to 2024, we realised the gradual transition from trial production to full production of relevant solid wire. The operation of this new product line led to increase in energy consumption and emissions to a certain extent. Meanwhile, during the initial debugging and trial operation period, the energy consumption and emissions per unit product were relatively high. Moreover, breaking-in and transitional period was required for these newly added production facilities to reach stable operation, and the release of corresponding production capacity would take some time.

In view of the above, in response to the complex and changing external environment following the pandemic, the Company actively optimised the infrastructure layout, construction and renovation, as well as the development of new products in recent years to enhance its core competitiveness. Although these measures exerted pressure of increased energy consumption and emissions in the short term, we believe that through ongoing environmental management practices and technological upgrades, the Company is confident that, while ensuring its own healthy and rapid development, it can also contribute to the sustainable development of society by fulfilling its due responsibility and commitment. We have updated our targets, 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_2e/total annual production (kilotonnes)) over the next 3 years.

The Company's emissions reduction measures are detailed in the part headed "Environmental Protection Measures" below.

Hazardous and Non-hazardous Wastes

During the Reporting Period, hazardous wastes generated by the Company mainly include waste motor oil, waste cutting solvent and Dacromet waste residues generated in the course of production. In addition, the adsorption and desorption processes in exhaust gas treatment facilities also produced a small amount of waste activated carbon. During the disposal of hazardous waste, certain waste motor oil is transferred and reused in the thread rolling process of equipment workshops, and stored in hazardous waste storage rooms that meet the safety regulations. Where there is hazardous waste that cannot be reused, the Company arranges qualified third parties each year for the recycling pursuant to the "Hazardous Waste Harmless Disposal Contract". The total emission of hazardous waste for the Year amounted to 16.83 tonnes.

Non-hazardous waste generated by the Company mainly include the waste sand produced in our foundries. In the disposal process of waste sand, the Company sells it to specialised recyclers as raw material for brick making, thereby effectively reducing the negative impact on the environment. This not only facilitates the reuse of resources, but also it reduces the accumulation of wastes and promotes sustainable development. All kinds of scrap steel generated during the welding material production process are recycled and reused as raw material in our foundries, which saves the cost of raw material procurement and avoids the harmless treatment or landfill of these wastes, thereby significantly reducing the environmental impact in the production process. At the same time, such practice also enables comprehensive reuse of resources and effectively improves the efficiency of resource utilisation. In addition, raw material residues generated during the production processes are collected and processed in a centralised manner, after which we conduct a detailed sorting and organization of these residues to ensure that each material is properly stored and managed. Eventually, these non-hazardous raw material waste is recycled and reused, further improving the efficiency of resource utilisation and reducing the impact on the environment. The total emission of non-hazardous waste for the Year amounted to 3,489.30 tonnes, which decreased by 10.63%, with density decreased by 5.06% from 2023. The Company has set targets for density of waste sand generation which take 2021 as the baseline year and aim to reduce waste sand generation density by 5% (waste sand generation (tonne)/total annual production (kilotonnes)) over the next 3 years. During the Reporting Period, the Company has exceeded the target, with significant reduction in waste sand production density.

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 wastes	Hazardous/ Non-hazardous	2024 Amount generated	2024 Unit	2024 Density(Note 1)	2023 Amount generated	2023 Unit	2023 Density(Note 1)
Waste motor oil	Hazardous	**9.48**	**tonnes**	**0.06**	6.87	tonnes	0.04
Waste solvent	Hazardous	**3.09**	**tonnes**	**0.02**	3.63	tonnes	0.02
Waste activated carbon	Hazardous	**4.24**	**tonnes**	**0.03**	2.76	tonnes	0.02
Waste cotton filter	Hazardous(Note 2)	**3.10**	**kg**	**<0.01**	11.08	kg	<0.01
Oil-containing cloth	Hazardous(Note 2)	**18.90**	**kg**	**<0.01**	9.31	kg	<0.01
Waste sand	Non-hazardous	**3,489.30**	**tonnes**	**21.79**	3,904.20	tonnes	22.95

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

Note 2: After assessment, this type of waste has been reclassified as hazardous waste in this annual report, and corresponding adjustment has been made to the classification criteria of 2023.

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. We have updated the target, which takes 2024 as the baseline year and aims to reduce waste sand generation density by 5% (waste sand generation (tonne)/total annual production (kilotonnes)) over the next 3 years.

Environmental, Social and Governance Report *(Continued)*

A2 Aspect: Use of Energy and Resources

The Company attaches great important to energy conservation and fully implements all requirements of the *Energy Conservation Law of the PRC* (《中華人民共和國節約能源法》). We have adopted a series of energy-saving measures in the course of our production and operation for the purpose of minimising energy consumption, protecting the environment and enhancing overall operational efficiency.

The Company mainly consumes natural gas and electricity as the resources of energy during the production. During the production of projects, all discharge of exhaust gas generated from the use of natural gas as fuel is in compliance with the relevant national environmental protection standards. At the same time, for the small amount of suspended particles generated during the cutting of products, we have installed ventilation equipment to ensure air circulation and maintain a good ventilation in the workshop, thereby effectively reducing the concentration of suspended particles inside the workshop. During the Reporting Period, 359,768 m^3 of natural gas was consumed, which represented a decrease of 1.07% in amount but increase in density of 5.10% from last year. Approximately 101,115 MWh of electricity was consumed during the Year, which represented a decrease of 5.65% in amount but increase in density of 0.23% from last year. Meanwhile, the Company has installed photovoltaic power generation equipment in unused space on rooftops of its factories to self-generate part of the required electricity, fully utilising solar energy resources and increasing the proportion of renewable energy usage, while enhancing overall energy efficiency and reducing energy costs. During the Reporting Period, self-generated power totalled approximately 754 MWh.

During the Year, gasoline consumption increased by 3.47%, with density increased by 9.92%; and diesel consumption decreased by 1.24%, with density increased by 4.92%. Such changes were mainly due to the increase in the frequency of vehicle use as business-related travel gradually returned to normal.

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 decreased by 2.29%, with density increased by 3.80% 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 was collected by rainwater hoppers and rainwater gullies, and together with the surface water in plant area, was discharged to the municipal pipe network of the industrial area by underground pipe system. The small amount of domestic sewage from office area is 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.

The Company has set targets for the above four types of energy efficiency and water resource use, which take 2021 as the baseline year and aim to reduce consumption density by 5% (MWh, m^3, litres, tonnes/total annual production (kilotonne)) over the next 3 years. As of 2024, total consumption and density of electricity decreased as compared with 2021, while the density of natural gas, gasoline and diesel increased. Such changes were mainly due to the increase in the usage of vehicles as the business scale of the Company returned to normal following the recovery of economy after the pandemic. During the period from 2021 to 2024, in response to the complex and changing external environment, the Company actively optimised its infrastructure and product layout, carried out the construction and renovation of the railway locomotive and components manufacturing project of Hebei Yichen and relocated to the new factory. The construction of such infrastructure has led to an increase in energy consumption. At the same time, during the construction process, in order to prevent dust from affecting the environment, the Company took measures such as spraying water for effective control. Apart from this, it will also take some time to release the production capacity of new facilities and products. We will continue to promote the rational use of energy, take effective measures to reduce fuel consumption and losses, and improve equipment efficiency. We have updated the targets for the above four types of energy efficiency (electricity, natural gas, gasoline and diesel, and water), which take 2024 as the baseline year and aim to reduce consumption density by 5% (MWh, m^3, litres, tonnes/total annual production (kilotonne)) over the next 3 years.

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

Energy consumption		**2024**		2023	
Types of energy	**Unit**	**Amount consumed**	**Density(Note 1)**	Amount consumed	Density(Note 1)
Electricity	MWh	**101,115**	**631.46**	107,168	629.99
Including:					
Purchased electricity	MWh	**100,361**	**626.75**	106,394	625.44
Self-generated power(Note 2)	MWh	**754**	**4.71**	774	4.55
Natural gas(Note 3)	m^3	**359,768**	**2,246.72**	363,648	2,137.73
Gasoline(Note 3)	litres	**68,843**	**429.92**	66,536	391.13
Diesel(Note 3)	litres	**78,660**	**491.22**	79,647	468.21

Water consumption	**Unit**	**2024**	2023
Total water consumption	tonnes	**19,927**	20,394
Density(Note 1)	tonnes	**124.44**	119.89

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 5,271.90 MWh of non-renewable fossil fuel was consumed directly, which represented a density of approximately 32.92 MWh/kilotonne. Conversion to MWh as calculation unit refers to the Energy Statistics Manual published by the International Energy Agency.

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 19.25%, with density significantly decreased by 14.22% from last year, which was due to the decrease in paper consumption of approximately 35.79% as compared with last year. During the Reporting Period, we actively implemented the paperless measures and significantly reduced the consumption of packaging materials during the Year, which proves the remarkable effect of such measures. The Company has set targets for the consumption of packaging materials, which take 2021 as the baseline year and aim to reduce total annual production of packaging materials by 5% per kilotonnes (tonnes/total annual production (kilotonne)) over the next 3 years. As of 2024, the total density of packaging materials has increased, mainly because the Company laid out the plan for new product, solid wire, at the end of 2021 in response to the comprehensive recovery of production and operation activities and the everchanging market demand following the pandemic. From 2022 to 2024, this new product line realised the gradual transition from trial production to full production of relevant solid wire. Despite the increase in consumption of energy and packaging material caused by this newly added product line, the capacity has not been fully utilised due to market conditions. Looking ahead, we will continue to promote and take effective measures to reduce the consumption of packaging materials. We have updated the targets, which take 2024 as the baseline year and aim to reduce packaging materials density by 5% in terms of total annual production per kilotonne (tonnes/total annual production (kilotonne)) over the next 3 years.

Consumption of packaging materials (Unit: tonnes)	**2024**		2023	
Types	**Consumption**	**Density(Note 1)**	Consumption	Density(Note 1)
Paper	**958.59**	**5.99**	1,497.13	8.80
Plastic	**1,547.57**	**9.66**	1,618.25	9.51
Nylon	**38.20**	**0.24**	35.63	0.21
Total	**2,544.36**	**15.89**	3,151.01	18.52

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

Details of our environmental conservation measures regarding energy, water and packaging materials are illustrated in the following section headed "Environmental Protection Measures".

A3 Aspect: Environment and Natural Resources

The Company is committed to minimising the impact on the environment and natural resources in its operation, continues 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 in 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.

Certain noise may be generated during the construction of projects, which are mainly from machineries, air pumps, sawing 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 used for windows, and air pumps are set in separate soundproof rooms, so as to effectively control the noise level, result in the compliance of the Class 2 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》), and minimise the impact on surrounding environment.

Exhaust gas was identified by the Company as the primary source of pollution in the production process. We have implemented stringent measures to control the emission of exhaust gas and upgraded relevant facilities, thus successfully avoiding significant adverse impacts on the environment, natural resources and ecosystems.

The Company attaches great importance to environmental protection, regarding it as a cornerstone of corporate development, with full implementation of relevant policies across all operational processes. We actively promote the implementation of environmental protection measures 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 prevent and reduce the generation of various pollutants, and minimise the adverse effect on the environment. This not only reflects our social responsibility, but also it brings good economic benefits to the Company, contributing to its sustainable development.

A4 Aspect: Climate Change

As the impact of climate change on the global ecosystem and economy gradually increases, the Company attaches great importance to and takes proactive measures to address this challenge, and actively responds to the "30·60" carbon peaking and carbon neutrality goals. We strictly comply with relevant policies and regulations and implement relevant management measures, so as to further respond to the concerns of the capital market and stakeholders on the issues of climate change and enhance our resilience to climate change risks.

We have implemented climate change risk management according to the proposed framework of Task Force on Climate Related Financial Disclosures TCFD. Climate risks mainly include transitional risks and physical risks. Transitional risks relate to the adaptation challenges that companies face in terms of policies, laws, technologies and markets, and physical risks relate to the direct impact of extreme weather events, such as hurricanes and floods, on the production and operation of companies. Through comprehensive identification and assessment of these climate risks, we have developed corresponding measures to mitigate potential negative impacts and ensure healthy development in the long term.

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 have accordingly established the "*Meteorological Disaster Emergency Plan*" (《氣象災害應急預案》). 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 set up an accident emergency leading group, with the chief commander held by the administrative officer and the deputy chief commander held by the leader in charge of the unit, and established an accident emergency working group with the participation of the heads of all functional management departments and major production departments, to be responsible for the organisation and implementation of accident emergency. Furthermore, the plan has set out a detailed risk factor and risk analysis, defined 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.

Governance

The Company has set up a ESG management structure comprising four tiers, including the Board of Directors, ESG Leading Working Group, ESG Working Group and all functional departments to comprehensively and effectively implement ESG governance. We systematically assess and identify ESG related risks and opportunities from the highest levels of the Company to all departments, and manage key ESG issues as detailed in the section headed "ESG Governance" in this Report.

Responding to Climate Risks

The Company has identified and managed climate-related risks and opportunities, and developed relevant preventive measures to accelerate its energy conservation and emission reduction work and reduce the negative effects of climate risks on the Company. The risks we have identified and the response measures are as follows:

Risk	Impact	Response measures	
Physical risk	Acute risk	Extreme weather events (such as typhoon, rainstorms, floods, droughts) will cause direct damage to the Company's production facilities and operations, leading to disruption of production and increase in costs for repair and maintenance and preventive measures; 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 and significant increase in production cost. This will affect the Company's production and operation, lead to decline in output and affect the revenue.	The Company has formulated an emergency plan to clarify the handling procedures and countermeasures for disasters; strengthened the management and regular maintenance of operational facilities, and invested necessary insurance for plant and equipment, effectively reducing the negative financial impact of such accidents on the Company; strengthened the diversity and flexibility of the supply chain, expanded alternative supply channels, and improved the anti-risk ability of the supply chain. For key raw materials, we have a number of suppliers located in various provinces in the PRC, effectively diversifying and reducing risks.
	Chronic risk	Long-term shifts in global climate patterns lead to rising sea levels and increasing temperatures. Rising temperatures will lead to more energy consumption to regulate the temperature of production sites. Changes in temperature and rainfall will also have an impact on public infrastructure, thus affecting the Company's production and operation.	Implement energy conservation and environmental protection measures to improve energy and water efficiency, so as to minimise the environmental damage caused by corporate operation.

Risk	Impact	Response measures	
Transitional risks	Policy and legal risks	Changes in government policies or laws and regulations in response to climate change may increase the operating costs, compliance costs and risks of enterprises; policy changes may also affect the long-term plans and investment decisions of enterprises.	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.
	Technical risk	With the development of renewable energy and low-carbon technologies, enterprises need to constantly update their equipment and production processes to remain competitive. In the face of climate change, enterprises need to introduce new technologies to cope with the impact of extreme weather. Growing market demand for low-carbon equipment and measures may lead to higher raw material prices.	Establish long-term and stable cooperation relationship with suppliers to ensure stable raw material supply as far as possible; pay attention to the changes in low-carbon technology, increase investment in research and development and innovation, actively explore low-carbon technology, choose more advanced and environmental-friendly facilities to reduce energy consumption.
	Reputation risk	Stakeholders and the public are paying close attention to issues related to climate change. Failure to respond to the legitimate requests of stakeholders will negatively impact the Company's reputation.	Actively practise green operation, contribute to low-carbon transition, and maintain communications with stakeholders. Regularly disclose emission reduction and energy-saving measures and results, and further establish emission reduction targets and implementation measures.

Environmental Protection Measures

I. Post reminder slogans via the Company's public address system, large screens and bulletin boards and in public areas, such as reminder slogans to save water and paper conservation in office, production workshops and washrooms to improve the environmental protection awareness of employees and visitors.

II. Place recycling bins in office and require employees to strictly separate waste.

III. Regularly update the policies and procedures of the Company, and incorporate environmental protection rules and standards into its daily work process. By such policies and procedures, we encourage employees to work in the following manners to save energy, resources and reduce greenhouse gas emissions.

1. In terms of production, carry out energy-saving publicity, organise energy-saving training, and actively promote the application of new energy-saving technologies, processes, equipment and materials;

2. Turn off electronic equipment such as computers, printers and electric water heaters to save energy and reduce emissions when they are not in use or when people leave office;

3. Advocate green travel and car-sharing for business trips to reduce carbon emissions; the vehicles of the Company are under unified management by the Administration Department, which will make reasonable arrangement for vehicle time and route after its approval of application;

4. Regularly examine electronic equipment to ensure safety and operational efficiency. For enhancing power efficiency and saving electricity, the Company continued with the harmonic management of grid transformation during the year to improve the quality of electric power which mitigated the impact on the quality of industrial products, carried out renovation on power grid and commenced the schedule of the upgrade and replacement of equipment with low energy efficiency;

5. Require the Procurement Department to prioritise high efficiency and energy-saving products when purchasing electric appliances, such as energy-saving motors, lamps and air conditioners;

6. Classify waste into dry waste, wet waste and recyclable waste, and actively promote the knowledge of waste classification to enhance employees' awareness and relevant environmental protection knowledge in this regard.

IV. Use the electronic system for office communication in the Company to minimise unnecessary meetings, document printing and physical document exchange, and reduce unnecessary travel, paper and print toner consumption, as well as indirect carbon emissions caused by express delivery.

V. Sell the waste sand generated in casting process to external recycling parties as the raw material for bricks, so as to minimise the environmental impact.

VI. Effectively utilise the residues of raw and auxiliary materials during the production process, and encourage resource reuse and recycling.

VII. Strictly monitor the consumption of raw and auxiliary materials in the production process to avoid unnecessary waste and encourage employees to make full use of raw materials.

VIII. Adopt advanced technology and equipment to carry out energy saving transformation of the original equipment, in a bid to improve energy utilisation efficiency and process yield.

IX. Adopt air compressors and water-cooled air pumps to turn waste heat from mass production process into energy, to supply heat to workshops and hot water for employees' domestic use, and reduce other energy consumption.

X. Adhere to the principles of simplicity, high efficiency and convenient use for customers in the Company's product packaging, with more adoption of simple tonnage bags and cartons. The Company has packaging material recycling measures in place in certain areas, under which the Company may handle for its clients the packaging materials (such as tonnage bags) of such products that reach railway construction sites and get unloaded, with such packaging materials available for reuse after recovery.

Currently, the Company does not exhibit any behaviour or factors which may have a significant impact on nature and natural resources.

SHARING PROSPERITY WITH STAFF BY ADOPTING PEOPLE-ORIENTED PRINCIPLE

In the path of sustainable development practice, the Company is deeply aware that employees are the indispensable and valuable resources for a corporate. Upholding the "people-oriented" concept, we are committed to talent introduction, discovering, cultivation and retention, fully protect the rights and interests of employees, create a safe and healthy working environment, help employees to improve their personal and professional abilities, and achieve win-win development of the Company and employees.

B1 Aspect: Employment

Compliance with Laws and Regulations

The Company 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》), to ensure that the legitimate rights and interests of its employees were fully safeguarded. We promoted the principle of equal employment, prohibited any form of employment discrimination, and treated all staff fairly regardless of race, gender and age, which reflected the Company's awareness of legal compliance in human resource management.

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, nor has there been any significant non-compliance issues related to labour practices, demonstrating our strong commitment to and high sense of responsibility in protecting labour rights.

Environmental, Social and Governance Report *(Continued)*

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 bonuses 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 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.

Caring for Employees

The Company offers a variety of allowances to its employees, and provides holiday gifts, subsidies for employees in need, heatstroke prevention supplies, etc., reflecting its care for employees. 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. Furthermore, the Company has in place a financial assistance scheme for employees with child entering university, providing scholarship to each child who has been enrolled to the university. During the Reporting Period, group companies provided scholarship to 24 staff's children enrolled to undergraduate and 27 staff's children enrolled to academy. Up to now, group companies have granted a total of RMB744,000 in scholarships to 213 staff's children who have been enrolled to undergraduate, reflecting the Company's care for staff and firm support for talent nurturing.

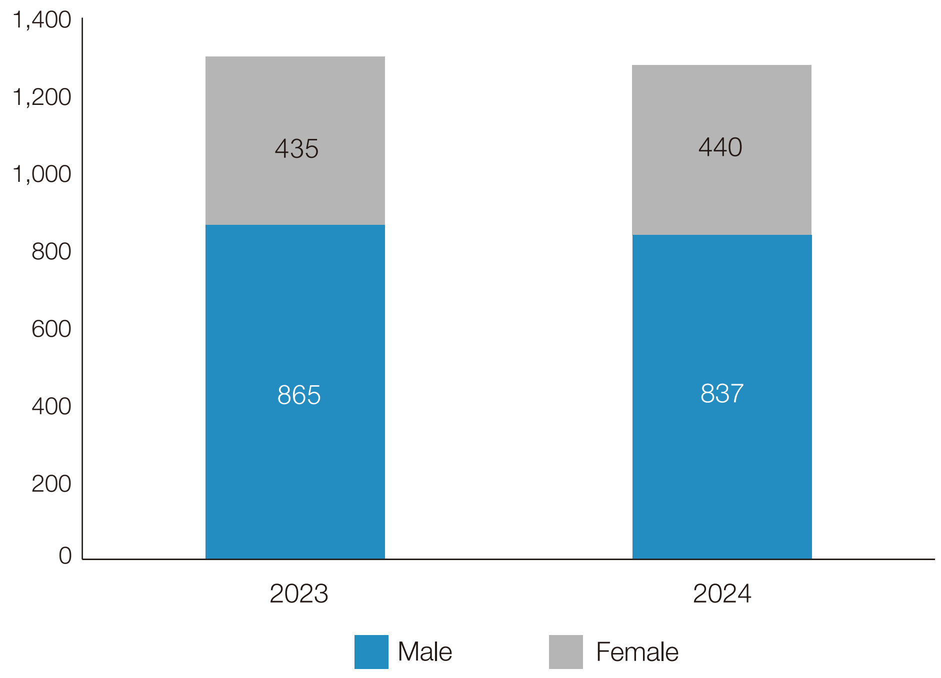
The Company always upholds the concept of caring for employees, and meticulously organises various kinds of employee activities from time to time, aiming at creating a positive, united and friendly working atmosphere for employees. During the 12th China Folk Walking Festival (中國民間徒步節), group companies invited employees to participate in the fitness activity called "Discovering beauty in Gaocheng (尋美藁城)". With the theme of "Love, Responsibility, Nation (仁愛、責任、國家)", this walking activity cleverly integrated the humanistic spirit and fitness sports, which not only effectively enhanced the cohesion of the team, brought the relationship between employees closer and their cooperation more seamless, but also it greatly contributed to the improvement of employees' physical and mental health.

Our Workforce

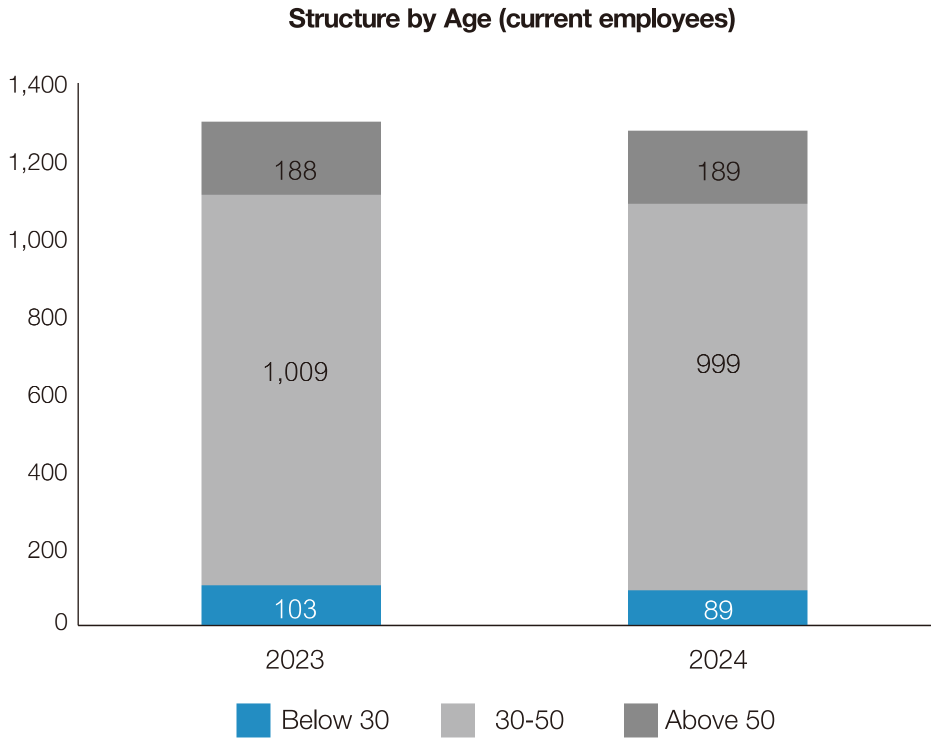
As at 31 December 2024, the Company had a total of 1,277 employees, including 361 employees from our Xingtai, Welding and Shenyang segments. All employees were from China, and all of them were full-time. The following table illustrates the employee structure categorised by gender, age and position:

Categories	2024	2023
Number of current employees and percentage by gender		
Male	**837 (66%)**	865 (67%)
Female	**440 (34%)**	435 (33%)
Number of current employees and percentage by age		
Below 30	**89 (7%)**	103 (8%)
30 to 50	**999 (78%)**	1,009 (78%)
Above 50	**189 (15%)**	188 (14%)
Number of current employees and percentage by position		
Senior management	**23 (2%)**	22 (2%)
Middle management	**52 (4%)**	52 (4%)
Other employees	**1,202 (94%)**	1,226 (94%)

Structure by Gender (current employees)



Environmental, Social and Governance Report *(Continued)*



Employee Turnover

During the Reporting Period, as at 31 December 2024, the Company recorded a total of 78 employees who had left, registering a turnover rate (Note 1) of approximately 6%, significantly declined as compared with the turnover rate 10% of 2023. These employees are categorised by gender and age as shown in the following table:

Categories	**2024** Number of turnover	Turnover rate(Note 2)	2023 Number of turnover	Turnover rate(Note 2)
By gender				
Male	**58**	**7%**	97	8%
Female	**20**	**5%**	33	7%
By age groups				
Below 30	**11**	**11%**	25	17%
30-50	**48**	**5%**	73	7%
Above 50	**19**	**10%**	32	3%

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

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

The Company had no material non-compliance in relation to labour practices during the Reporting Period, and was not involved in human rights infringement or employment of child and forced labour.

B2 Aspect: 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》) and 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》).

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 clarified the safety production responsibilities of personnel and functional departments at all levels and standardised the rights and obligations of all departments and employees of the Company in specific production process, ensuring a safe working environment for all employees. In addition, regulations made 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 has formulated the Safety Management Standard on Individual Protective Equipment (《個體防護裝備安全管理規範》), with the purpose of ensuring the safety and health of employees at work, improving the protective effect, strengthening management and supervision, ensuring compliance, and enhancing the safety awareness of employees. By strictly enforcing these regulations, the Company aims to create a safer working environment for effective prevention of accidents, improvement in overall production efficiency and employee satisfaction, and thus achieve a win-win situation with safety and efficiency.

During the Reporting Period, the Company constantly optimised its occupational health and safety management system, strictly implemented the occupational health rules and regulations, strengthened the promotion of occupational disease prevention and control, and adopted advanced technology and equipment to prevent occupational disease hazards from the source. We arranged regular and comprehensive physical check-ups for employees and established a detailed Occupational Health Archive (《職業衛生檔案》) to record the personal information of each employee including name, gender, age, birthplace, and the results of previous occupational health inspections and the corresponding processing measures. We conducted pre-employment and pre-resignation physical examinations for new employees and departing employees respectively to ensure that they were in good physical condition. At the same time, the Company also regularly detected the concentration of occupational hazards in the working environment and ensured the effective use of occupational disease protection facilities, so as to minimise the risk of occupational disease and protect workers' physical and mental health. These measures have effectively reduced the risk of occupational diseases, ensured the health and safety of employees, and obtained the "Occupational Health and Safety Management Systems Certificate" (《職業健康安全管理體系認證證書》) in line with the ISO 45001:2018 standard.

In addition to the complete management system and health protection measures, the Company attaches great importance to the safety education and training of employees. New employees must receive systematic safety education and training and pass an examination before they work. The Company holds a variety of safety education activities every month, covering national production safety regulations, position-specific environmental and health issues, aimed at comprehensively enhancing employees' safety awareness and operational skills. Furthermore, the Company organises safety production meetings regularly to carry out in-depth analysis on the problems existing in production safety and formulates targeted improvement measures. The Company also constantly promotes safety knowledge and information through its routine broadcast system, constantly reminding employees to uphold the principle of safety first. At the same time, the Company has appointed special safety inspectors to promptly correct improper operations in the production process, ensuring that employees comply with all safety procedures, and maintaining a good working environment. Through continuous safety education and training as well as management and supervision, the Company has effectively enhanced the safety awareness and operational skills of employees, successfully prevented safety production risks, and guaranteed the life health and safety of employees.

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

1. 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;

2. 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;

3. In the case of changes in environmental laws and regulations, environmental impact assessment shall be conducted in a timely manner to update environmental factors;

4. 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;

5. Regular evaluation of compliance with the Production Safety Law of the PRC.

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.[1]

B3 Aspect: Development and Training

The Company acknowledges the importance of employees growing together with the Company. Therefore, we have formulated the Training Management System (《培訓管理制度》), to fully meet the career needs of employees through a sound training and development system and facilitate the long-term development of the Company. We value talent nurturing, provide employees with systematic job training, management skills training and career development planning to help them continuously improve their integrated ability and deepen their understanding of corporate culture. These measures not only improve the professionalism of employees, but also they enhance the cohesion of the team, thus laying a solid foundation for achieving the goals of the Company.

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, technology and skills, theoretical knowledge of production quality, patent knowledge and the practical application of fine production. A total of about 97% [Note 1] of employees received the training, with each employee receiving an average of approximately 6.62 training hours [Note 2]. In addition, during the reporting year, anti-corruption trainings for Directors and employees were arranged in forms of offline courses and videos, reiterating the zero-tolerance attitude of the Company for corruption, bribery and other illegal activity and enhancing anti-corruption awareness among staff.

1 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 *(Continued)*

During the Reporting Period, in order to further improve the comprehensive quality and business capabilities of its employees, a number of training courses have been carried out, including anti-corruption, occupational health and safety, as well as professional trainings for different positions. During the Year, the Company provided a total of 64 training courses with different topics, covering all aspects of employee development, to help employees grow together with the Company. During the year, a total of 7,340 hours of regular trainings were organised, with employee participants totalling 1,100; and a total of 1,108 hours of anti-corruption trainings were organised, with employee participants totalling 1,108. Below sets out the trainings by gender and position of employees:

Categories	2024 Number of trained employees	2024 Percentage of trained employees (note 3)	2023 Number of trained employees	2023 Percentage of trained employees (note 3)
By employee gender				
Male	**828**	**67%**	841	67%
Female	**413**	**33%**	416	33%
By employee position				
Senior management	**16**	**1%**	8	1%
Middle management	**47**	**4%**	39	3%
Other employees	**1,178**	**95%**	1,210	96%

Categories	2024 Total number of training hours (hour)	2024 Average training hours completed per employee (hour) (note 4)	2023 Total number of training hours (hour)	2023 Average training hours completed per employee (hour) (note 4)
By employee gender				
Male	**5,602**	**6.69**	6,107	7.06
Female	**2,846**	**6.47**	3,185	7.32
By employee position				
Senior management	**52**	**2.26**	36	1.64
Middle management	**280**	**5.38**	262	5.04
Other employees	**8,116**	**6.75**	8,994	7.34

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.

B4 Aspect: 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.

During the Reporting Period, there was no child labour or forced labour in the Company, which reflected our high sense of responsibility in the protection of labour rights.

FOCUSING ON LEADING BUSINESS SUCCESS TO CREATE BRILLIANCE FOR THE COMPANY

The Group is a leading rail fastening system provider of China. Its major business focuses on the R&D, manufacturing, sales and technical support of rail fastening system products, and provision of fastening system products to rail transit customers 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 is also engaged in 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.

During the Reporting Period, as the national economy continued to recover, the construction of railway projects in China also progressed steadily. Operation of existing lines continued, construction of new lines accelerated, and numerous new projects were under planning and construction, all of which provided new opportunities for the Company's development. Nevertheless, we also faced intensified market competition. The Company, as a leading rail fastening system provider in the railway industry of China, will seize the industry development opportunities, insist on taking high-quality rail fastening system products and railway sleeper products as the core competitive advantage, continue to improve product quality and service level, striving to escort the railway construction and operation in China and bring more convenience to social life. Moreover, the Company will also actively explore new opportunities vertically in the industry, continue to optimise and expand diversified its product lines to constantly improve its core competitiveness and profitability. Apart from revenue from sales of rail fastening system products, welding wire products and railway sleeper products, the Company also received revenue from provision of product processing services, comprehensively enhancing its industry competitiveness and product diversity. By providing railway products and services with highest quality, the Company will further consolidate its leading position in the industry and win more market recognition.

We fully understand the leading role of supply chain management and product responsibility in business. Under economic globalisation and the increasingly competitive market environment nowadays, an effective supply chain management can not only reduce costs but also improve customer satisfaction, thus enhancing the market competitiveness of enterprises. For product responsibility, we are aware of corporate social responsibility and its importance to corporate development. Specific measures for supply chain management and product responsibility are detailed in the following paragraphs, with a view to achieve sustainable development in these key areas, reinforce the core competitiveness of the Company and driving the long-term growth of business.

B5 Aspect: 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》) 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. 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》). As for suppliers that have collaborated with us all along, 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.

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 from mistakes or unforeseen incidents by the single supplier, thereby enhancing the resilience of the entire 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. These initiatives can effectively improve the resilience of the entire supply chain to cope with global climate change and extreme weather events. Through decentralised supply channels and strict quality control, our ultimate goal is to ensure business continuity and lay a solid foundation for the sustainable development of the Company.

During the reporting year, we followed the ESG governance principle and introduced the Provisional Measures for ESG Management of Supply Chain (《供應鏈ESG管理暫行辦法》) to ensure the overall synergy of the supply chain and the effectiveness of the overall system standards. We are committed to building a sustainable supply chain system and establishing long-term collaborative relations with trustworthy suppliers to create value for each other. The ESG management of suppliers is the key to the mutual development of both parties. We standardised the entire process and made constant optimisation on it from all aspects to ensure that our suppliers meet our core values and requirements for sustainable development.

The Company also sets out its supply chain ESG management monitoring process from the following two aspects:

1. Suppliers must ensure that the products provided are in compliance with contractual and environmental requirements 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.

2. 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 368, 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)	2024	2023
Within Hebei Province	**179**	200
Outside Hebei Province	**189**	249

B6 Aspect: 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》).

Currently, the Company has obtained special certifications such as ISO 9001 Quality Management Systems Certification and CRCC Certification for railway products, fully demonstrating our stringent requirements for product quality.

In addition, 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 rail infrastructure 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.

We have formulated detailed management system manuals, procedure documents and technical documents, and regularly conduct internal audit and management assessment, unceasingly optimise the quality management system. At the same time, we actively cooperate with the supervision and inspection by external professional audit institutions, as well as irregular review on the Company's quality management system by customers. We keep enhancing the internal management and control measures.

We monitor the entire production process, with strict identifications and traceability management from raw material procurement to finished products, ensuring the traceability of product quality. The professional personnel in the quality management department is responsible for inspecting product and monitoring the quality of the product to ensure that the product specifications meet the international standards and customers' requirements.

Environmental, Social and Governance Report *(Continued)*

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, reduce corporate economic losses and increase service satisfaction. The Measures provide clear delineation of the responsibilities of each department, set out processing procedures in detail, including acceptance on deviation, repair and transformation, replacement of goods and refund. At the same time, the relevant department shall analyse the root reasons, so as to adopt corresponding rectification or precautionary measures to avoid the recurrence of similar problems. Details of the handling process is as follows: after the customer initiates an application for product return, the market department will relay it to quality control and technology departments for analysis and processing to determine appropriate processing plan, the the market department will communicate with customers and coordinate various departments for joint processing, so as to ensure that customers' requests are handled in a prompt and satisfactory manner.

We will continually refine our quality management system through strict monitoring and continuous enhancement, provide customers with more high-quality and reliable products, maintain the good reputation of the Company, and promote the sustainable and healthy development of our business.

During the Reporting Period, the Company had no product sold or delivered that were needed to be recalled for safety and health reasons, nor had it received any complaints about product quality or other issues.

Complaint Handling

The Company fully recognises the importance of valuing 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:

First, the market development department shall promptly pass the issues reported by the customers to the relevant departments such as the quality management department, the technical department and the production department, and initiate the emergency handling mechanism.

Second, the quality management department will then 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 shall 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 of customer, the market development department shall inform the customer for product isolation in a timely manner.

Upon the isolation of the product, 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 and conversion of use according to the review results, and all decisions will be immediately reported to relevant departments for implementation. Any application on concession must be approved by the customer first.

Throughout the process, we attach great importance to the rights and interests of customers. We are committed to addressing customer complaints in a quick and effective way, and implement root cause analysis and corrective measures to continuously improve product quality and customer satisfaction. We believe that this set of sound complaint handling mechanism will further enhance customer trusts and lay the foundation for the sustainable development of the Company in the future.

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. 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. Therefore, we will continue to put more emphasis on intellectual property rights, 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 fully protect our innovation achievements.

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.

To regulate the matters on intellectual property rights, the Company has 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. As at the end of 2024, the Company had 69 active patents and 9 patents under application.

B7 Aspect: Anti-corruption

Corporate compliance constitutes a fundamental business principle that the Company consistently upholds. We strictly comply with all laws and regulations, and constantly improve the corporate governance mechanism so as to ensure the legal and compliance operation of the Company.

System Construction

The Company attaches great importance to business ethics and compliance management, and has complied with relevant anti-corruption and anti-money laundering 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, 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 updated. We adhere to the principles of voluntariness, equality, fairness and integrity, as well as generally recognised business ethics, which provide strong guarantee for the compliance of the Company's operation.

Whistleblowing Systems

To further strengthen our anti-corruption efforts, we have 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 their concerns in a confidential and 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 and fair 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 as appropriate. 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/external party of the referral.

Compliance Training

In order to further enhance the compliance awareness of all employees, we arranged anti-corruption and anti-bribery compliance trainings for staff and Directors during the reporting year. For details, please refer to "Staff Training" section of this report. Through the training, we hope that all members can develop a thorough understanding of the compliance requirements, take the initiative to comply with the company system, and maintain the good image of the Company together.

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.

JOINING HANDS WITH THE COMMUNITY TO SHARE A HARMONIOUS FUTURE

B8 Aspect: Community Investment

Recognising that the corporate development is closely related to the support of society, we always take practical actions to fulfil corporate social responsibilities, devote into charities, make contribution to society, and continue to support the development of public welfares. During the Reporting Period, we organised and carried out various public welfare projects to continuously help the people in need, so as to improve their living conditions and achieve common development.

Public Welfare Sponsorship

We actively participated in public welfares. In a party held for the disabled themed on "Deliver love and let love fly (愛心傳遞，讓愛飛翔)", we were honoured to make contribution by sponsoring RMB13,000 to support this far-reaching public welfare activity. As a responsible company, we always attach great importance to the provision of necessary assistance to the disadvantaged, striving to promote social equity and justice. The party for the disabled allowed us to express our care and support for the disabled in practical actions. We believe that through this party, we can not only deliver vital financial support to individuals with disabilities who are people in need, but also we can arouse the attention and participation of all walks of life, jointly contributing to building a more inclusive and friendly society.

Community Care

During the Spring Festival, the Company's leaders conducted a visiting and consolatory activity in Guozhuang Village, Lianzhou Town with the members of the village committee, in order to bring lonely elderlies a happy and warm festival. We sent gifts to 10 lonely elderlies, and expressed our care and blessing for them. These gifts, far more than just daily necessities, were heartfelt gesture through which we hope the elderlies could feel the warmth and care from the Company. Through this activity, we hope to not only improve their living conditions, but also let them feel the support and warmth of society in the new year. We believe that such care can promote social harmony, allowing every lonely elderly experience genuine warmth during the Spring Festival.

We believe that participation in public welfare not only helps to promote the harmonious development of society, but also this enables employees to achieve personal growth through contribution, thus creating a warmer and more responsible culture within the Company. Looking forward, we will continue to give full play to corporate characteristics, actively participate in public welfares, repay the society with practical actions, in a bid to deliver love as well as advance with employees and society together.

AUDIT REPORT

Tian Jian Shen No. [2025]3-138

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 2024, 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 2024, 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 2024 and the consolidated and parent company's operational performance and cash flows for the year of 2024 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 Code of Ethics for Chinese Certified Public Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

Key audit matters are 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) and V(II) 1 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 2024, Yichen Industrial Corporation's revenue was RMB1,090,749,926.12.

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., indentifying 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;

(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.

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) 4 to the financial statements.

As of 31 December 2024, the book balance of accounts receivable of Yichen Industrial Corporation was RMB1,490,848,688.83, the provision for bad debts was RMB297,725,159.34 and the book value was RMB1,193,123,529.49.

Based on the credit risk characteristics of each accounts receivable, 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 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.

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. The annual report is expected to be made available to us after the date of 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.

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.

AUDIT REPORT *(Continued)*

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.

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

17 April 2025

CONSOLIDATED BALANCE SHEET

31 December 2024

Unit: RMB

Assets	Notes	Closing balance	Closing balance of last year
Current assets:			
Monetary capital	1	**157,848,753.11**	132,087,482.03
Provision for settlement			
Lendings to banks and other financial institutions			
Financial assets held for trading	2		101,346,207.48
Derivative financial asset			
Notes receivable	3	**54,689,198.87**	72,234,436.73
Accounts receivable	4	**1,193,123,529.49**	1,188,868,108.09
Financing of receivables	5	**12,520,009.41**	3,249,942.10
Prepayments	6	**31,443,731.01**	19,801,379.83
Insurance premiums receivable			
Cession premiums receivable			
Deposits receivable from reinsurance contract			
Other receivables	7	**7,961,605.99**	10,036,210.94
Recoursable financial assets acquired			
Inventories	8	**422,597,534.70**	355,301,190.40
Contract assets	9	**30,096,517.24**	38,933,605.92
Assets held for sale			
Non-current assets due within one year			
Other current assets	10	**20,048,842.48**	26,457,493.19
Total current assets		**1,930,329,722.30**	1,948,316,056.71

Consolidated Balance Sheet *(Continued)*

31 December 2024

Assets	Notes	Closing balance	Closing balance of last year
Non-current assets:			
Loans and advances granted			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	11	**309,091,068.98**	281,806,908.78
Other equity instruments investment	12	**18,197,392.29**	8,197,392.29
Other non-current financial assets			
Investment properties			
Fixed assets	13	**689,660,945.52**	709,719,639.88
Construction in progress	14	**154,372,752.64**	157,137,432.52
Bearer biological assets			
Oil and gas assets			
Right-of-use assets	15	**1,225,534.69**	
Intangible assets	16	**142,577,948.63**	138,295,847.68
Development expenditures			
Goodwill	17	**59,835,952.92**	73,407,626.73
Long-term deferred expenses	18	**672,829.52**	856,328.48
Deferred income tax assets	19	**57,235,882.32**	33,160,626.19
Other non-current assets	20	**138,297,314.17**	88,294,547.02
Total non-current assets		**1,571,167,621.68**	1,490,876,349.57
Total assets		**3,501,497,343.98**	3,439,192,406.28

Consolidated Balance Sheet *(Continued)*

31 December 2024

Liabilities and owner's equity	Notes	Closing balance	Closing balance of last year
Current liabilities:			
Short-term borrowings	22	**125,640,149.32**	198,145,042.00
Borrowings from central bank			
Borrowed funds			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	23	**53,000,000.00**	32,594,685.72
Accounts payable	24	**391,730,114.86**	350,349,406.08
Advance receipts			
Contract liabilities	25	**10,913,342.91**	14,747,268.98
Financial assets sold for repurchase			
Customer deposits and interbank deposits			
Funds received from securities trading agency services			
Funds received from securities underwriting business			
Payroll payable	26	**7,603,303.19**	6,009,968.24
Tax payable	27	**15,285,469.02**	18,601,668.70
Other payables	28	**19,739,058.41**	22,516,750.29
Handling charges and commissions payable			
Cession premiums payable			
Liabilities held for sale			
Non-current liabilities due within one year	29	**92,862,564.74**	158,340,000.00
Other current liabilities	30	**906,711.48**	3,905,143.52
Total current liabilities		**717,680,713.93**	805,209,933.53

Consolidated Balance Sheet *(Continued)*

31 December 2024

Liabilities and owner's equity	Notes	Closing balance	Closing balance of last year
Non-current liabilities:			
Provision for insurance contracts			
Long-term borrowings	31	**384,301,000.00**	150,310,000.00
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	32	**632,166.81**	
Long-term payables			
Long-term payroll payables			
Provision for liabilities			
Deferred income	33	**4,245,866.67**	4,478,466.67
Deferred income tax liabilities	18	**264,912.23**	290,218.17
Other non-current liabilities			
Total non-current liabilities		**389,443,945.71**	155,078,684.84
Total liabilities		**1,107,124,659.64**	960,288,618.37
Owners' equity:			
Paid-in capital (or share capital)	34	**448,920,000.00**	448,920,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	35	**813,934,037.92**	813,538,772.51
Less: Treasury stock	36	**24,878,196.19**	
Other comprehensive income	37	**-123,507.71**	-123,507.71
Special reserve			
Surplus reserve	38	**156,494,587.84**	156,494,587.84
Provision for general risks			
Undistributed profits	39	**987,101,140.58**	1,046,929,545.57
Total equity attributable to owners of the parent		**2,381,448,062.44**	2,465,759,398.21
Minority interests		**12,924,621.90**	13,144,389.70
Total owner's equity		**2,394,372,684.34**	2,478,903,787.91
Total liabilities and owner's equity		**3,501,497,343.98**	3,439,192,406.28

Legal representative: Zhang Haijun

Person in charge of accounting: Wu Jinyu

Head of Finance Section: Yang Yunjuan

BALANCE SHEET OF PARENT COMPANY

31 December 2024

Unit: RMB

Assets	Notes	Closing balance	Closing balance of last year
Current assets:			
Monetary capital		**104,063,829.58**	86,911,225.34
Financial assets held for trading			101,346,207.48
Derivative financial assets			
Bills receivable		**7,390,372.51**	19,038,745.60
Accounts receivable	1	**1,087,461,462.01**	1,062,408,255.11
Financing of receivables		**761,212.61**	100,000.00
Prepayments		**16,314,910.93**	11,717,757.00
Other receivables	2	**42,187,921.28**	47,048,369.74
Inventories		**386,073,982.16**	306,359,028.99
Contract assets		**28,095,192.44**	36,523,998.85
Assets held for sale			
Non-current assets due within one year			
Other current assets		**16,945,941.67**	5,470,961.03
Total current assets		**1,689,294,825.19**	1,676,924,549.14
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	3	**713,882,440.19**	687,953,126.24
Other equity instruments investment		**18,197,392.29**	8,197,392.29
Other non-current financial assets			
Investment properties			
Fixed assets		**569,742,057.54**	587,409,779.33
Construction in progress		**154,361,451.93**	155,854,559.19
Bearer biological assets			
Oil and gas assets			
Right-of-use assets		**1,225,534.69**	
Intangible assets		**136,813,954.12**	132,390,704.09
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets		**54,768,998.05**	30,567,094.20
Other non-current assets		**131,318,484.42**	81,867,361.37
Total non-current assets		**1,780,310,313.23**	1,684,240,016.71
Total assets		**3,469,605,138.42**	3,361,164,565.85

Balance Sheet of Parent Company *(Continued)*

31 December 2024

Liabilities and owner's equity	Notes	Closing balance	Closing balance of last year
Current liabilities:			
Short-term borrowings		**89,800,000.00**	178,500,000.00
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable		**53,000,000.00**	32,594,685.72
Accounts payable		**339,948,822.19**	278,471,479.86
Advance receipts			
Contract liabilities		**29,367,575.04**	3,903,183.17
Payroll payable		**5,286,820.70**	4,585,807.86
Tax payable		**12,844,799.16**	15,062,505.21
Other payables		**133,599,328.66**	137,127,790.26
Liabilities held for sale			
Non-current liabilities due within one year		**92,862,564.74**	158,340,000.00
Other current liabilities		**383,269.78**	2,915,061.78
Total current liabilities		**757,093,180.27**	811,500,513.86
Non-current liabilities:			
Long-term borrowings		**381,301,000.00**	147,810,000.00
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		**632,166.81**	
Long-term payables			
Long-term payroll payables			
Provision for liabilities			
Deferred income		**4,245,866.67**	4,478,466.67
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		**386,179,033.48**	152,288,466.67
Total liabilities		**1,143,272,213.75**	963,788,980.53
Owners' equity:			
Paid-in capital (or share capital)		**448,920,000.00**	448,920,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		**832,446,604.47**	832,051,339.06
Less: Treasury stock		**24,878,196.19**	
Other comprehensive income		**-123,507.71**	-123,507.71
Special reserve			
Surplus reserve		**156,494,587.84**	156,494,587.84
Undistributed profits		**913,473,436.26**	960,033,166.13
Total owner's equity		**2,326,332,924.67**	2,397,375,585.32
Total liabilities and owner's equity		**3,469,605,138.42**	3,361,164,565.85

Legal representative: Zhang Haijun

Person in charge of accounting: Wu Jinyu

Head of Finance Section: Yang Yunjuan

CONSOLIDATED INCOME STATEMENT

2024

Unit: RMB

Items	Notes	Amounts for the period	Amounts for the same period of prior year
I. Total operating revenue		1,090,749,926.12	1,196,146,498.76
Including: Operating income	1	1,090,749,926.12	1,196,146,498.76
Interest income			
Premiums earned			
Handling charges and commissions income			
II. Total operating cost		1,009,771,818.05	1,085,221,045.78
Including: Operating cost	1	837,625,892.66	904,795,522.09
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	13,473,644.34	14,273,386.04
Selling expenses	3	20,677,903.63	19,792,515.77
Management expenses	4	92,528,209.30	95,519,739.60
Research and development expense	5	27,420,050.83	33,329,383.48
Finance costs	6	18,046,117.29	17,510,498.80
Including: Interest costs		18,054,168.77	18,659,943.26
Interest income		1,275,562.65	2,431,294.86
Add: Other income	7	4,095,474.07	8,218,132.22
Investment gains ("–" indicates for losses)	8	14,895,631.58	-33,496,490.85
Including: Gains on investments in associates and joint ventures		23,416,869.85	34,361,625.08
Gains on derecognition of financial assets measured at amortised cost			
Foreign exchange gains ("–" indicates for losses)			
Net income on exposure hedging ("–" indicates for losses)			
Gain from changes in fair value ("–" indicates for losses)	9	-59,643,427.68	19,019,173.08
Loss on credit impairment ("–" indicates for losses)	10	-64,176,392.08	-36,895,029.79
Impairment loss on assets ("–" indicates for losses)	11	-34,802,477.56	-18,864,502.19
Gains on disposal of assets ("–" indicates for losses)			

Consolidated Income Statement *(Continued)*

2024

Items	Notes	Amounts for the period	Amounts for the same period of prior year
III. Operating profits ("–" indicates for losses)		**-58,653,083.60**	48,906,735.45
Add: Non-operating incomes	12	**1,527,983.38**	1,522,316.42
Less: Non-operating expenses	13	**598,714.48**	297,907.56
IV. Total profit ("–" indicates for total losses)		**-57,723,814.70**	50,131,144.31
Less: Income tax expenses	14	**-6,675,589.91**	-171,556.64
V. Net profit ("–" indicates for net losses)		**-51,048,224.79**	50,302,700.95
(I) Classification by continuity			
1. Net profit from continuing operations ("–" indicates for net losses)		**-51,048,224.79**	50,302,700.95
2. Net profit from discontinued operations ("–" indicates for net losses)			
(II) Classification by equity holdings			
1. Net profit attributable to owners of the parent ("–" indicates for net losses)		**-50,828,456.99**	49,444,225.34
2. Profit and loss attributable to minority interests ("–" indicates for net losses)		**-219,767.80**	858,475.61
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 *(Continued)*

2024

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		**-51,048,224.79**	50,302,700.95
Total comprehensive income attributable to owners of the parent		**-50,828,456.99**	49,444,225.34
Total comprehensive income attributable to minority interests		**-219,767.80**	858,475.61
VIII. Earnings per share:			
(I) Basic earnings per share		**-0.06**	0.06
(II) Diluted earnings per share		**-0.06**	0.06

Legal representative: Zhang Haijun

Person in charge of accounting: Wu Jinyu

Head of Finance Section: Yang Yunjuan

INCOME STATEMENT OF PARENT COMPANY

2024

Unit: RMB

Items	Notes	Amounts for the period	Amounts for the same period of prior year
I. Operating revenue	1	**704,875,219.60**	898,318,147.53
Less: Operating cost	1	**473,033,074.78**	638,658,230.77
Taxes and surcharges		**12,518,520.29**	13,242,670.85
Selling expenses		**14,509,085.77**	14,861,405.36
Management expenses		**82,624,368.01**	88,284,057.16
Research and development expense	2	**23,172,298.08**	29,888,682.87
Finance costs		**17,516,435.61**	16,898,845.40
Including: Interest costs		**17,558,906.00**	17,976,844.03
Interest income		**1,206,096.66**	2,357,908.93
Add: Other income		**3,410,060.75**	7,454,047.15
Investment gains ("–" indicates for losses)	3	**20,772,164.37**	-33,407,323.16
Including: Gains on investments in associates and joint ventures		**23,416,869.85**	34,361,625.08
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**	19,019,173.08
Loss on credit impairment ("–" indicates for losses)		**-59,366,373.57**	-29,014,339.59
Impairment loss on assets ("–" indicates for losses)		**-32,210,223.77**	-16,889,741.94
Gains on disposal of assets ("–" indicates for losses)			154,479.30
II. Operating profits ("–" indicates for losses)		**-47,820,642.63**	43,800,549.96
Add: Non-operating incomes		**1,527,965.87**	1,522,288.82
Less: Non-operating expenses		**500,257.65**	289,729.30
III. Total profit ("–" indicates for total losses)		**-46,792,934.41**	45,033,109.48
Less: Income tax expenses		**-9,233,152.54**	-1,938,580.59
IV. Net profit ("–" indicates for net losses)		**-37,559,781.87**	46,971,690.07
(I) Net profit from continuing operations ("–" indicates for net losses)		**-37,559,781.87**	46,971,690.07
(II) Net profit from discontinued operations ("–" indicates for net losses)			

Income Statement of Parent Company *(Continued)*

2024

Items	Notes	Amounts for the period	Amounts for the same period of prior year
V. Other comprehensive income after tax, 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			
(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			
VI. Total comprehensive income		**-37,559,781.87**	46,971,690.07
VII. Earnings per share:			
(I) Basic earnings per share			

Legal representative: Zhang Haijun
Person in charge of accounting: Wu Jinyu
Head of Finance Section: Yang Yunjuan

CONSOLIDATED STATEMENT OF CASH FLOWS

2024

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		**781,969,171.60**	1,078,827,066.90
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		**7,530,198.31**	5,764,752.51
Other cash received in relation to operating activities	1(1)	**40,853,791.48**	108,046,676.59
Sub-total of cash inflow from operating activities		**830,353,161.39**	1,192,638,496.00
Cash paid for goods purchased and labour service received		**556,245,690.16**	699,576,685.06
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 lendings 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		**107,783,730.47**	107,236,568.06
Payments of taxes		**52,980,047.88**	94,002,305.64
Other cash paid in relation to operating activities	1(2)	**95,421,444.19**	98,197,778.82
Sub-total of cash outflows from operating activities		**812,430,912.70**	999,013,337.58
Net cash flows from operating activities	2	**17,922,248.69**	193,625,158.42

Consolidated Statement of Cash Flows *(Continued)*

2024

Items	Notes	**Amounts for the period**	Amounts for the same period of prior year
II. Cash flows from investing activities:			
Cash from disinvestments		**58,776,688.12**	55,238,288.49
Cash received from return of investments		**13,102,950.25**	7,471,240.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**282,989.15**	79,440.00
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		**72,162,627.52**	62,788,968.49
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		**84,623,755.97**	94,667,638.66
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			
Sub-total of cash outflows from investing activities		**122,931,361.15**	94,667,638.66
Net cash flows from investing activities		**-50,768,733.63**	-31,878,670.17

Consolidated Statement of Cash Flows *(Continued)*

2024

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		**551,593,422.14**	362,045,042.00
Other cash received in relation to financing activities			
Sub-total of cash inflows from financing activities		**551,593,422.14**	362,045,042.00
Cash paid for repayment of debts		**454,552,272.82**	445,850,000.00
Cash paid for distribution of dividends and profits or repayment of interest		**27,005,485.42**	63,626,997.67
Including: Dividends and profits paid to minority shareholders by subsidiaries			
Other cash paid in relation to financing activities	1(3)	**25,578,196.19**	700,000.00
Sub-total of cash outflows for financing activities		**507,135,954.43**	510,176,997.67
Net cash flows from financing activities		**44,457,467.71**	-148,131,955.67
IV. Effect of changes in foreign exchange rates on cash and cash equivalents		**-697,886.23**	-573,137.38
V. Net increase in cash and cash equivalents	3	**10,913,096.54**	13,041,395.20
Add: Opening balance of cash and cash equivalents		**90,061,255.64**	77,019,860.44
VI. Closing balance of cash and cash equivalents	3	**100,974,352.18**	90,061,255.64

Legal representative: Zhang Haijun

Person in charge of accounting: Wu Jinyu

Head of Finance Section: Yang Yunjuan

STATEMENT OF CASH FLOWS OF PARENT COMPANY

2024

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		**561,406,333.03**	956,036,705.80
Refund of taxes		**2,478,357.53**	5,502,241.17
Other cash received in relation to operating activities		**40,843,730.75**	108,586,237.81
Sub-total of cash inflow from operating activities		**604,728,421.31**	1,070,125,184.78
Cash paid for goods purchased and labour service received		**331,924,241.27**	575,609,830.47
Cash paid to and for employees		**79,875,249.37**	82,151,507.61
Payments of taxes		**60,078,954.65**	65,508,570.82
Other cash paid in relation to operating activities		**88,830,767.54**	94,255,791.31
Sub-total of cash outflows from operating activities		**560,709,212.83**	817,525,700.21
Net cash flows from operating activities		**44,019,208.48**	252,599,484.57
II. Cash flows from investing activities:			
Cash from disinvestments		**33,961,249.80**	55,238,288.49
Cash received from return of investments		**13,018,452.00**	7,471,240.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**325,614.06**	118,464,229.39
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		**55,305,315.86**	181,173,757.88
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		**79,401,750.88**	91,320,568.71
Cash paid for investment		**38,477,852.50**	147,000,000.00
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid in relation to investing activities		**5,500,000.00**	40,000,000.00
Sub-total of cash outflows from investing activities		**123,379,603.38**	278,320,568.71
Net cash flows from investing activities		**-68,074,287.52**	-97,146,810.83

Statement of Cash Flows of Parent Company *(Continued)*

2024

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		**505,740,000.00**	331,500,000.00
Other cash received in relation to financing activities			
Sub-total of cash inflows from financing activities		**505,740,000.00**	331,500,000.00
Cash paid for repayment of debts		**427,039,000.00**	427,350,000.00
Cash paid for distribution of dividends and profits or repayment of interest		**26,510,222.65**	62,958,628.03
Other cash paid in relation to financing activities		**25,578,196.19**	700,000.00
Sub-total of cash outflows for financing activities		**479,127,418.84**	491,008,628.03
Net cash flows from financing activities		**26,612,581.16**	-159,508,628.03
IV. Effect of changes in foreign exchange rates on cash and cash equivalents		**-642,965.89**	-602,282.66
V. Net increase in cash and cash equivalents		**1,914,536.23**	-4,658,236.95
Add: Opening balance of cash and cash equivalents		**45,454,865.69**	50,113,102.64
VI. Closing balance of cash and cash equivalents		**47,369,401.92**	45,454,865.69

Legal representative: Zhang Haijun

Person in charge of accounting: Wu Jinyu

Head of Finance Section: Yang Yunjuan

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2024

Unit: RMB

Items	Amounts for the period Equity attributed to owners of parent company											Minority interests	Total owner's equity
	Paid-up capital (or share capital)	Other equity instruments: Preferred shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Undistributed profits		
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

Consolidated Statement of Changes in Owners' Equity *(Continued)*

2024

Items	Amounts for the prior period												
	Equity attributed to owners of parent company												
		Other equity instruments											
	Paid-up capital (or share capital)	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Undistributed profits	Minority interests	Total owner's equity
I. Closing balance of prior year	448,920,000.00				813,227,049.41		-123,507.71		151,797,418.83		1,047,164,273.24	12,285,914.09	2,473,271,147.86
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				813,227,049.41		-123,507.71		151,797,418.83		1,047,164,273.24	12,285,914.09	2,473,271,147.86
III. Increase or decrease for the period ("–" indicates for decreases)					311,723.10				4,697,169.01		-234,727.67	858,475.61	5,632,640.05
(I) Total comprehensive income											49,444,225.34	858,475.61	50,302,700.95
(II) Capital invested and decreased by owners													
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													
(III) Profit distribution									4,697,169.01		-49,678,953.01		-44,981,784.00
1. Appropriation to surplus reserve									4,697,169.01		-4,697,169.01		
2. Withdrawal of provision for general risks													
3. Distribution to owners (or shareholders)											-44,981,784.00		-44,981,784.00
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					311,723.10								311,723.10
IV. Closing balance of current period	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

Legal representative: Zhang Haijun

Person in charge of accounting: Wu Jinyu

Head of Finance Section: Yang Yunjuan

STATEMENT OF CHANGES IN OWNERS' EQUITY OF PARENT COMPANY

2024

Unit: RMB

Items	Amounts for the period										
		Other equity instruments									
	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 owner's equity
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

Statement of Changes in Owners' Equity of Parent Company *(Continued)*

2024

Items	Amounts for the prior period										
		Other equity instruments									
	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 owner's equity
I. Closing balance of prior year	448,920,000.00				831,739,615.96		-123,507.71		151,797,418.83	962,740,429.07	2,395,073,956.15
Add: Changes in accounting policies											
Correction of errors in prior periods											
Others											
II. Opening balance of current year	448,920,000.00				831,739,615.96		-123,507.71		151,797,418.83	962,740,429.07	2,395,073,956.15
III. Increase or decrease for the period ("–" indicates for decreases)					311,723.10				4,697,169.01	-2,707,262.94	2,301,629.17
(I) Total comprehensive income										46,971,690.07	46,971,690.07
(II) Capital invested and decreased by owners											
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											
(III) Profit distribution									4,697,169.01	-49,678,953.01	-44,981,784.00
1. Appropriation to surplus reserve									4,697,169.01	-4,697,169.01	
2. Distribution to owners (or shareholders)										-44,981,784.00	-44,981,784.00
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					311,723.10						311,723.10
IV. Closing balance of current period	448,920,000.00				832,051,339.06		-123,507.71		156,494,587.84	960,033,166.13	2,397,375,585.32

Legal representative: Zhang Haijun

Person in charge of accounting: Wu Jinyu

Head of Finance Section: Yang Yunjuan

NOTES TO THE FINANCIAL STATEMENTS

2024

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 2nd meeting of the fourth session of the Board of the Company on 17 April 2025.

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.

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 flow 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 other receivables with provision for bad debts made individually	The amounts per item exceed the total assets by 0.5%
Major projects under construction	The total investment of a single project exceeds 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
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

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

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.

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.

Notes to the Financial Statements *(Continued)*
2024

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 or 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.

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.

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 amortised at 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.

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 at amortised cost, 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	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 – 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

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

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.

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 equity 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.

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 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.

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

1. 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.

2. 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).

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.

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

(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 *(Continued)*
2024

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 adopted 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 debt 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 for the release of the labour relationship plan or the termination 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.

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.

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.

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 separate leased asset has a low value when the new one is recognised 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 leasee; 4) the cost that the leasee 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.

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.

2. *Leaseback*

The Company as a lessee

The Company evaluates and determines whether the asset transfer in the sale and leaseback transactions is a sale or not in accordance with Accounting Standards for Business Enterprises No. 14 – Revenue.

If the asset transfer in the sale and leaseback transaction belongs to the sale, the Company measures the right-of-use assets formed by the sale and leaseback according to the book value of the original assets related to the right to use obtained in the leaseback, and recognises the relevant gains or losses only for the right transferred to the lessor.

If the transfer of assets in the sale and leaseback transaction does not belong to the sale, the Company continues to recognise the transferred assets, at the same time recognise a financial liability equal to the transfer income, and carry out accounting treatment for the financial liability in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.

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

(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).

(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 and contract assets measured at amortised cost.

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.

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

(XXX) Changes in Significant Accounting Policies

1. Changes in significant accounting policies

(1) Changes in accounting policies arising from alteration in Accounting Standards for Business Enterprises

1) The Company has adopted the provision of "Classification of liabilities as current or non-current" under Interpretation No. 17 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance since 1 January 2024. Such changes in the accounting policies have no impact on the Company's financial statements.

2) The Company has adopted the provision of "Disclosure of supplier finance arrangements" under Interpretation No. 17 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance since 1 January 2024.

3) The Company has adopted the provision of "Accounting treatment of sale and leaseback transactions" under Interpretation No. 17 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance since 1 January 2024. Such changes in the accounting policies have no impact on the Company's financial statements.

4) The Company has adopted the provision of "Accounting treatment of the guarantee-type quality assurance that do not fall within the category of standalone performance obligation" under Interpretation No. 18 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance since 1 January 2024. Such changes in the accounting policies have no impact on the Company's financial statements.

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%

IV. TAXATION *(Continued)*

(I) Major Taxes and Tax Rates *(Continued)*

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%

(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 2024.

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 2024.

3. 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 2024.

4. 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 2024.

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	**33,372.44**	43,261.25
Bank deposits	**100,940,979.74**	89,017,731.22
Other monetary funds	**56,874,400.93**	43,026,489.56
Total	**157,848,753.11**	132,087,482.03
Including: total funds placed in overseas	**1,027,563.04**	723,117.56

(2) Other description

Items	Closing balance	Closing balance of last year
Other monetary funds	**56,874,400.93**	43,026,489.56
Including: Performance bond	**32,316,265.77**	32,079,754.08
Deposits for bank acceptance notes	**15,780,000.00**	8,978,405.78
Deposits for letter of credit	**6,939,119.04**	
Migrant workers' advance deposits	**969,389.15**	968,066.53
Fund in asset management plan custodian bank and stock accounts		1,000,263.17
Sub-total	**56,874,400.93**	43,026,489.56

As at 31 December 2024, other monetary funds have restricted usage.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

2. Financial assets held for trading

Items	Closing balance	Closing balance of last year
Financial assets at fair value through profit or loss for the current period		101,346,207.48
Including: shares		101,346,207.48
Total		101,346,207.48

3. Notes receivable

(1) Breakdown

Items	Closing balance	Closing balance of last year
Bank acceptance notes	**48,479,367.07**	67,160,111.33
Trade acceptance notes	**6,209,831.80**	5,074,324.40
Total	**54,689,198.87**	72,234,435.73

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

3. *Notes receivable (Continued)*

(2) Provision for bad debts

1) Breakdown by category

Categories	Closing balance Book balance Amount	Proportion (%)	Provision for bad debts Amount	Percentage of provision (%)	Book value
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**

Categories	Closing balance of last year Book balance Amount	Proportion (%)	Provision for bad debts Amount	Percentage of provision (%)	Book value
Provision for bad debts made collectively	72,783,197.64	100.00	548,761.91	0.75	72,234,435.73
Including: Bank acceptance notes	67,160,111.33	92.27			67,160,111.33
Trade acceptance notes	5,623,086.31	7.73	548,761.91	9.76	5,074,324.40
Total	72,783,197.64	100.00	548,761.91	0.75	72,234,435.73

2) Notes receivable with provision for bad debts made collectively

Items	Closing balance Book balance	Provision for bad debts	Percentage of provision (%)
Bank acceptance notes portfolio	**48,479,367.07**		
Trade acceptance notes portfolio	**7,192,955.00**	**983,123.20**	**13.67**
Sub-total	**55,672,322.07**	**983,123.20**	**1.77**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

3. *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	548,761.91	434,361.29				**983,123.20**
Total	548,761.91	434,361.29				**983,123.20**

(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		**42,281,388.91**
Trade acceptance notes		**1,986,774.37**
Sub-total		**44,268,163.28**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

4. *Accounts receivable*

(1) Breakdown

1) Breakdown by category

Categories	Closing balance				
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Percentage of provision (%)	Book value
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

Categories	Closing balance of last year				
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Percentage of provision (%)	Book value
Provision for bad debts made individually	11,473,696.11	0.81	11,473,696.11	100.00	
Provision for bad debts made collectively	1,411,883,635.08	99.19	223,015,526.99	15.80	1,188,868,108.09
Total	1,423,357,331.19	100.00	234,489,223.10	16.47	1,188,868,108.09

2) Accounts receivables with provision for bad debts made collectively

Items	Closing balance		
	Book balance	Provision for bad debts	Percentage of provision (%)
Grouped by payment	1,334,342,287.42	242,430,627.46	18.17
Grouped by retention monies	147,313,866.64	46,101,997.11	31.30
Sub-total	1,481,656,154.06	288,532,624.57	19.47

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

4. *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	Closing balance Book balance	Provision for bad debts	Percentage of provision (%)
Within 1 year	671,548,875.79	13,430,977.53	2.00
1 to 2 years	282,555,653.07	28,255,565.31	10.00
2 to 3 years	178,956,464.81	53,686,939.44	30.00
3 to 4 years	92,154,903.05	46,077,451.52	50.00
4 to 5 years	40,733,485.18	32,586,788.14	80.00
Over 5 years	68,392,905.52	68,392,905.52	100.00
Total	1,334,342,287.42	242,430,627.46	18.17

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	50,163,497.33	7,524,524.60	15.00
1 to 2 years	31,165,075.17	4,674,761.28	15.00
2 to 3 years	34,063,660.02	10,219,098.01	30.00
3 to 4 years	10,891,564.10	5,445,782.05	50.00
4 to 5 years	13,961,194.26	11,168,955.41	80.00
Over 5 years	7,068,875.76	7,068,875.76	100.00
Total	147,313,866.64	46,101,997.11	31.30

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

4. *Accounts receivable (Continued)*

(2) Ageing analysis

Ageing	Closing balance Book balance	Closing balance Provision for bad debts	Closing balance Percentage of provision (%)	Closing balance of last year Book balance	Closing balance of last year Provision for bad debts	Closing balance of last year Percentage of provision (%)
Within 1 year	**721,712,373.12**	**20,955,502.13**	**2.90**	751,570,598.14	20,791,989.44	2.77
1 to 2 years	**313,720,728.24**	**32,930,326.59**	**10.50**	357,967,051.92	37,644,919.06	10.52
2 to 3 years	**213,020,124.83**	**63,906,037.45**	**30.00**	134,979,494.22	40,493,848.27	30.00
3 to 4 years	**103,046,467.15**	**51,523,233.57**	**50.00**	64,021,305.72	32,010,652.87	50.00
4 to 5 years	**54,694,679.44**	**43,755,743.55**	**80.00**	56,355,338.64	45,084,270.91	80.00
Over 5 years	**84,654,316.05**	**84,654,316.05**	**100.00**	58,463,542.55	58,463,542.55	100.00
Total	**1,490,848,688.83**	**297,725,159.34**	**19.97**	1,423,357,331.19	234,489,223.10	16.47

The ageing calculation of accounts receivable – grouped by retention monies portfolio 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: Provision	Recovery or reversal	Write-off	Others	Closing balance
Provision for bad debts made individually	11,473,696.11		1,172.00	2,279,989.34		**9,192,534.77**
Provision for bad debts made collectively	223,015,526.99	63,567,732.39		1,616,377.67	3,565,742.86	**288,532,624.57**
Total	234,489,223.10	63,567,732.39	1,172.00	3,896,367.01	3,565,742.86	**297,725,159.34**

(4) Actual accounts receivable written off during the period

Item	Amount written off
Actual accounts receivable written off	**3,896,367.01**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

4. *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 RMB652,095,084.11, representing 40.29% 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 RMB95,191,665.27.

5. *Financing of receivables*

(1) Breakdown

Item	Closing balance	Closing balance of last year
Bank acceptance notes	**12,520,009.41**	3,249,942.10
Total	**12,520,009.41**	3,249,942.10

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

5. *Financing of receivables (Continued)*

(2) Provision for impairment

1) Breakdown by category

Categories	Closing balance Costs Amount	Proportion (%)	Accumulated credit impairment provision recognised Amount	Percentage of provision (%)	Book value
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

Categories	Closing balance of last year Costs Amount	Proportion (%)	Accumulated credit impairment provision recognised Amount	Percentage of provision (%)	Book value
Provision for impairment made collectively	3,249,942.10	100.00			3,249,942.10
Including: Bank acceptance notes	3,249,942.10	100.00			3,249,942.10
Total	3,249,942.10	100.00			3,249,942.10

2) Financing of receivables with provision for impairment made collectively

Item	Closing balance Costs	Accumulated credit impairment provision recognised	Percentage of provision (%)
Bank acceptance notes portfolio	12,520,009.41		
Sub-total	12,520,009.41		

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

5. 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	**32,756,085.25**
Sub-total	**32,756,085.25**

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.

6. 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	**29,462,447.86**	**93.71**		**29,462,447.86**	18,133,827.49	91.58		18,133,827.49
1 to 2 years	**1,957,186.91**	**6.22**		**1,957,186.91**	1,522,526.98	7.69		1,522,526.98
2 to 3 years	**13,254.91**	**0.04**		**13,254.91**	145,025.36	0.73		145,025.36
Over 3 years	**10,841.33**	**0.03**		**10,841.33**				
Total	**31,443,731.01**	**100.00**		**31,443,731.01**	19,801,379.83	100.00		19,801,379.83

(2) Top 5 entities by the amount of prepayments

The total amount attributable to top 5 entities by the closing balance of prepayments was RMB25,754,291.76, representing 81.91% of the total closing balance of prepayments.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

7. *Other receivables*

(1) Classification by nature of amounts

Nature of amounts	Closing balance	Closing balance of last year
Security deposits	**9,323,224.15**	12,215,694.35
Imprest	**519,103.44**	423,779.05
Others	**1,173,660.37**	275,649.11
Total book balance	**11,015,987.96**	12,915,122.51
Less: Provision for bad debts	**3,054,381.97**	2,878,911.57
Total book value	**7,961,605.99**	10,036,210.94

(2) Ageing Status

Ageing	Closing balance	Closing balance of last year
Within 1 year	**2,532,860.25**	4,018,985.80
1 to 2 years	**1,543,121.21**	3,005,764.75
2 to 3 years	**2,519,381.11**	626,763.26
3 to 4 years	**533,000.00**	2,132,815.31
4 to 5 years	**740,000.00**	973,620.39
Over 5 years	**3,147,625.39**	2,157,173.00
Total book balance	**11,015,987.96**	12,915,122.51
Less: Provision for bad debts	**3,054,381.97**	2,878,911.57
Total book value	**7,961,605.99**	10,036,210.94

Notes to the Financial Statements *(Continued)*
2024

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

7. *Other receivables* (Continued)

(3) Provision for bad debts

1) Breakdown by category

Categories	Closing balance				
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	Book value
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

Categories	Closing balance of last year				
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Provision for bad debts made individually	761,173.00	5.89	761,173.00	100.00	
Provision for bad debts made collectively	12,153,949.51	94.11	2,117,738.57	17.42	10,036,210.94
Total	12,915,122.51	100.00	2,878,911.57	22.29	10,036,210.94

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	8,562,051.15	1,951,252.09	22.79
Imprest receivable portfolio	519,103.44	15,372.72	2.96
Temporary advance payment receivable portfolio	1,075,501.91	322,650.57	30.00
Other portfolios	98,158.46	3,933.59	4.01
Sub-total	10,254,814.96	2,293,208.97	22.36

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

7. *Other receivables* *(Continued)*

(3) Provision for bad debts (Continued)

3) Changes in provision for bad debts

Items	Stage 1 Expected credit loss in the following 12 months	Stage 2 Lifetime expected credit loss (without credit impairment)	Stage 3 Lifetime expected credit loss (with credit impairment)	Total
Opening balance	115,422.11	630,441.17	2,133,048.29	2,878,911.57
Opening balance for the period	–	–	–	
– Transfer to stage 2	-1,426.98	1,426.98		
– Transfer to stage 3		-8,891.39	8,891.39	
– Reverse to stage 2				
– Reverse to stage 1				
Provision for the period	-48,357.87	34,536.52	189,291.75	175,470.40
Recovery or reversal for the period				
Write-off for the period				
Other changes				
Closing balance	65,637.26	657,513.28	2,331,231.43	3,054,381.97
Percentage of provision for bad debts at the end of the period (%)	2.00	14.92	70.07	27.73

(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 RMB3,891,506.91, representing 35.33% of the total closing balance of other receivables. The corresponding provision for bad debts of other receivables was RMB1,392,048.37.

Notes to the Financial Statements *(Continued)*
2024

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

8. *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	**66,073,662.31**	**3,594,296.23**	**62,479,366.08**	51,495,769.48	3,036,903.21	48,458,866.27
Work in process	**33,380,382.71**	**670,441.92**	**32,709,940.79**	50,550,949.18	616,293.41	49,934,655.77
Finished goods	**348,960,768.86**	**30,470,914.78**	**318,489,854.08**	256,908,528.38	17,876,106.79	239,032,421.59
Delivered goods	**4,338,302.30**		**4,338,302.30**	1,975,696.73		1,975,696.73
Materials for consigned processing	**4,580,071.45**		**4,580,071.45**	15,899,550.04		15,899,550.04
Total	**457,333,187.63**	**34,735,652.93**	**422,597,534.70**	376,830,493.81	21,529,303.41	355,301,190.40

(2) Provisions for inventory impairment

1) Breakdown

Items	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	3,036,903.21	557,393.02				**3,594,296.23**
Work in process	616,293.41	54,148.51				**670,441.92**
Finished goods	17,876,106.79	18,177,571.34		5,582,763.35		**30,470,914.78**
Total	21,529,303.41	18,789,112.87		5,582,763.35		**34,735,652.93**

2) Specific basis for determining net realisable value, the reasons for write-off of provisions for inventory impairment

Item	Specific basis for determining net realisable value	Reasons for write-off of provisions for inventory impairment
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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

9. *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	35,407,667.34	5,311,150.10	30,096,517.24	45,804,242.26	6,870,636.34	38,933,605.92
Total	35,407,667.34	5,311,150.10	30,096,517.24	45,804,242.26	6,870,636.34	38,933,605.92

(2) Provision for impairment

1) Breakdown by category

Categories	Closing balance				
	Book balance		Provision for impairment		
	Amount	Proportion (%)	Amount	Percentage of provision (%)	Book value
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

Categories	Closing balance of last year				
	Book balance		Provision for impairment		
	Amount	Proportion (%)	Amount	Percentage of provision (%)	Book value
Provision for impairment made collectively	45,804,242.26	100.00	6,870,636.34	15.00	38,933,605.92
Total	45,804,242.26	100.00	6,870,636.34	15.00	38,933,605.92

Notes to the Financial Statements *(Continued)*
2024

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

9. *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	**35,407,667.34**	**5,311,150.10**	**15.00**
Sub-total	**35,407,667.34**	**5,311,150.10**	**15.00**

(3) Changes in provision for impairment

Item	Opening balance	Changes in amount during the period Provision	Recovery or reversal	Write-off	Others	Closing balance
Provision for impairment made collectively	6,870,636.34	-3,640,734.88			2,081,248.64	**5,311,150.10**
Total	6,870,636.34	-3,640,734.88			2,081,248.64	**5,311,150.10**

10. *Other current assets*

Items	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	**12,048,137.62**		**12,048,137.62**	16,966,945.52		16,966,945.52
Input value added tax to be certified	**891,288.89**		**891,288.89**	2,632,409.84		2,632,409.84
Prepaid taxes	**7,109,415.97**		**7,109,415.97**	6,858,137.83		6,858,137.83
Total	**20,048,842.48**		**20,048,842.48**	26,457,493.19		26,457,493.19

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

11. 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	**309,091,068.98**		**309,091,068.98**	281,806,908.78		281,806,908.78
Total	**309,091,068.98**		**309,091,068.98**	281,806,908.78		281,806,908.78

(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)	281,806,908.78				23,416,869.85	
Total	281,806,908.78				23,416,869.85	

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	395,265.41	12,789,000.00		16,261,024.94	**309,091,068.98**	
Total	395,265.41	12,789,000.00		16,261,024.94	**309,091,068.98**	

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

12. *Other equity instruments investment*

(1) Breakdown

Items	Opening balance	Increase or decrease during the period: Additional investments	Decrease in investments	Gains and losses included in other comprehensive income for the period	Others
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			
Total	8,197,392.29	10,000,000.00			

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.	8,197,392.29		-123,507.71
Hebei Fu Gao Equity Investment Fund Co., Ltd.	10,000,000.00		
Total	18,197,392.29		-123,507.71

(2) Reasons for designation as an equity instrument investment at fair value through other comprehensive income

1) 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.

2) The Company holds 4.24% equity interest in Hebei Fu Gao Equity Investment Fund Co., Ltd. and has no control, joint control and significant influence on Hebei Fu Gao Equity Investment Fund 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; as of the date of issuance of the Financial Statements, we are in the process of completing the registration of industrial and commercial changes.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

13. *Fixed assets*

(1) Breakdown

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Electronic equipment	Other equipment	Total
Original book value						
Opening balance	585,676,337.70	376,698,723.78	18,299,575.92	20,087,747.47	3,222,419.40	1,003,984,804.27
Increase during the period	25,211,614.95	8,959,724.36	312,896.64	280,800.48	2,750,460.11	37,515,496.54
1) Purchase	6,014,359.32	4,316,958.09	312,896.64	145,537.20	616,799.32	11,406,550.57
2) Transfer from construction in progress	19,197,255.63	4,642,766.27		135,263.28	2,133,660.79	26,108,945.97
Decrease during the period		9,627,929.19		149,559.91		9,777,489.10
1) Disposal or retirement		9,627,929.19		149,559.91		9,777,489.10
Closing 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
Accumulated depreciation						
Opening balance	90,721,396.20	173,895,670.95	16,402,205.34	10,680,392.44	2,565,499.46	294,265,164.39
Increase during the period	27,570,142.35	24,409,659.04	411,893.49	3,600,050.25	546,452.13	56,538,197.26
1) Provision	27,570,142.35	24,409,659.04	411,893.49	3,600,050.25	546,452.13	56,538,197.26
Decrease during the period		8,598,933.52		142,561.94		8,741,495.46
1) Disposal or retirement		8,598,933.52		142,561.94		8,741,495.46
Closing 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
Provision for impairment						
Opening balance						
Increase during the period						
1) Provision						
Decrease during the period						
1) Disposal or retirement						
Closing balance						
Book value						
Closing 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
Opening book value	494,954,941.50	202,803,052.83	1,897,370.58	9,407,355.03	656,919.94	709,719,639.88

Notes to the Financial Statements *(Continued)*
2024

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

13. *Fixed assets* *(Continued)*

(2) Information on fixed assets without certificate of title

Items	Book value	Reason for not obtaining certificate of title
Office buildings and warehouses for casting	258,631.35	Area verification
Office buildings for passenger railway line	2,009,857.53	Area verification
Power-coating workshop	1,798,788.92	Under process
Warehouse for equipment and finished goods	2,958,155.92	Under process
Comprehensive experiment building for the R&D and manufacturing project of high-speed railway heavy-haul fastening accessory systems	29,700,938.15	Under process
Dormitory buildings of new factories	28,182,686.70	Under process
Experimental workshops of new factories	36,241,992.05	Under process
Workshops and office buildings for sleeper	7,226,820.27	Under process
Sub-total	108,377,870.89	

14. *Project under construction*

(1) Breakdown

Items	Closing balance Book balance	Closing balance Provision for impairment	Closing balance Book value	Closing balance of last year Book balance	Closing balance of last year Provision for impairment	Closing balance of last year Book value
R&D and manufacturing project of high-speed railway heavy-haul fastening accessory system	1,810,034.43		1,810,034.43	28,141,107.30		28,141,107.30
Railway locomotive project	146,674,470.95		146,674,470.95	122,945,357.17		122,945,357.17
Equipment of welding wire north workshop	11,300.71		11,300.71	1,282,873.33		1,282,873.33
Sporadic projects	5,876,946.55		5,876,946.55	4,768,094.72		4,768,094.72
Total	154,372,752.64		154,372,752.64	157,137,432.52		157,137,432.52

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

14. *Project under construction (Continued)*

(2) Changes in major projects under construction during the period

Project names	Budget	Opening balance	Increase during the period	Transfer to fixed assets	Other decrease	Closing balance
Railway locomotive project	500,000,000.00	122,945,357.17	23,729,113.78			**146,674,470.95**

Project names	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	41	41				Own funds

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

15. Right-of-use assets

Items	Buildings and structures	Total
Original book value		
Opening balance		
Increase during the period	1,838,302.03	1,838,302.03
1) Lease	1,838,302.03	1,838,302.03
Decrease during the period		
1) Disposal		
Closing balance	1,838,302.03	1,838,302.03
Accumulated depreciation		
Opening balance		
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	612,767.34	612,767.34
Provision for impairment		
Opening balance		
Increase during the period		
1) Provision		
Decrease during the period		
1) Disposal		
Closing balance		
Book value		
Closing book value	1,225,534.69	1,225,534.69
Opening book value		

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

16. Intangible assets

(1) Breakdown

Items	Land use rights	Software use rights	Total
Original book value			
Opening balance	157,679,960.42	2,526,429.13	160,206,389.55
Increase during the period	7,800,000.00	66,371.68	7,866,371.68
1) Purchase	7,800,000.00	66,371.68	7,866,371.68
Decrease during the period			
1) Disposal			
Closing balance	165,479,960.42	2,592,800.81	168,072,761.23
Accumulated amortisation			
Opening balance	20,057,483.98	1,853,057.89	21,910,541.87
Increase during the period	3,289,616.26	294,654.47	3,584,270.73
1) Provision	3,289,616.26	294,654.47	3,584,270.73
Decrease during the period			
1) Disposal			
Closing balance	23,347,100.24	2,147,712.36	25,494,812.60
Provision for impairment			
Opening balance			
Increase during the period			
1) Provision			
Decrease during the period			
1) Disposal			
Closing balance			
Book value			
Closing book value	142,132,860.18	445,088.45	142,577,948.63
Opening book value	137,622,476.44	673,371.24	138,295,847.68

(2) Analysis of book value of the land use rights

Item	Closing balance	Closing balance of last year
Outside Hong Kong		
Interim lease	**142,132,860.18**	137,622,476.44
Sub-total	**142,132,860.18**	137,622,476.44

Notes to the Financial Statements *(Continued)*
2024

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

17. 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**	**54,444,501.09**	**59,835,952.92**	114,280,454.01	40,872,827.28	73,407,626.73
Total	**114,280,454.01**	**54,444,501.09**	**59,835,952.92**	114,280,454.01	40,872,827.28	73,407,626.73

(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	40,872,827.28	13,571,673.81				54,444,501.09
Total	40,872,827.28	13,571,673.81				54,444,501.09

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

17. *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

Item	Book value of asset group or asset group portfolio, including goodwill	Recoverable amount	Provision for impairment for the period
Xingtai Juneng	117,310,484.35	101,800,000.00	13,571,673.81
Sub-total	117,310,484.35	101,800,000.00	13,571,673.81

Notes to the Financial Statements *(Continued)*
2024

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

18. *Long-term deferred expenses*

Item	Opening balance	Increase in the period	Amortisation during the period	Other decreases	Closing balance
Renovation expenses	856,328.48		183,498.96		672,829.52
Total	856,328.48		183,498.96		672,829.52

19. *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	**352,043,657.11**	**52,806,446.98**	277,651,206.30	41,647,680.94
Provisions	**50,779,344.35**	**7,616,901.65**	49,583,160.91	7,437,474.14
Unrealised profits from internal transactions	**2,334,289.90**	**350,143.48**	4,888,720.41	733,308.06
Accounts payable over 3 years	**4,261,059.60**	**639,158.94**	7,687,169.55	1,153,075.44
Deductible losses	**39,697,163.20**	**9,836,931.94**		
Deferred income	**4,245,866.67**	**636,880.00**	4,478,466.67	671,770.00
Lease liabilities	**1,244,731.55**	**186,709.73**		
Total	**454,606,112.38**	**72,073,172.72**	344,288,723.84	51,643,308.58

(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	**1,766,081.53**	**264,912.23**	1,934,787.72	290,218.17
Accelerated depreciation of fixed assets	**71,807,351.62**	**14,653,460.20**	37,114,791.63	5,567,218.75
Changes in fair value			86,103,090.93	12,915,463.64
Right-of-use assets	**1,225,534.69**	**183,830.20**		
Total	**74,798,967.84**	**15,102,202.63**	125,152,670.28	18,772,900.56

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

19. *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	**14,837,290.40**	**57,235,882.32**	18,482,682.39	33,160,626.19
Deferred income tax liabilities	**14,837,290.40**	**264,912.23**	18,482,682.39	290,218.17

(4) Breakdown of unrecognised deferred income tax assets

Items	Closing balance	Closing balance of last year
Deductible temporary differences	**3,613,966.48**	2,078,351.82
Deductible losses	**21,775,840.48**	4,371,106.39
Total	**25,389,806.96**	6,449,458.21

(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	**158,637.10**	170,385.34	
2027	**758.14**	758.14	
2028	**4,195,702.93**	4,195,702.93	
2029	**14,205,284.52**		
Indefinite	**3,215,457.79**	4,259.98	
Total	**21,775,840.48**	4,371,106.39	

Notes to the Financial Statements *(Continued)*
2024

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

20. Other non-current assets

(1) Breakdown

Items	Closing balance			Closing balance of last year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Prepayment for the purchase of long-term assets	**59,824,429.87**		**59,824,429.87**	12,289,123.57		12,289,123.57
Contract assets	**92,321,040.35**	**13,848,156.05**	**78,472,884.30**	89,418,145.24	13,412,721.79	76,005,423.45
Total	**152,145,470.22**	**13,848,156.05**	**138,297,314.17**	101,707,268.81	13,412,721.79	88,294,547.02

(2) Contract assets

1) Breakdown

Item	Closing balance			Closing balance of last year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Retention monies due after one year	**92,321,040.35**	**13,848,156.05**	**78,472,884.30**	89,418,145.24	13,412,721.79	76,005,423.45
Sub-total	**92,321,040.35**	**13,848,156.05**	**78,472,884.30**	89,418,145.24	13,412,721.79	76,005,423.45

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

20. *Other non-current assets* (Continued)

(2) Contract assets (Continued)

2) Provision for impairment

① Breakdown by category

Categories	Closing balance				
	Book balance		Impairment provision		
	Amount	Proportion (%)	Amount	Percentage of provision (%)	Book value
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

Categories	Closing balance of last year				
	Book balance		Impairment provision		
	Amount	Proportion (%)	Amount	Percentage of provision (%)	Book value
Provision for impairment made collectively	89,418,145.24	100.00	13,412,721.79	15.00	76,005,423.45
Total	89,418,145.24	100.00	13,412,721.79	15.00	76,005,423.45

② Contract assets with impairment provisions made collectively

Item	Closing balance		
	Book balance	Impairment provision	Percentage of provision (%)
Grouped by retention monies	92,321,040.35	13,848,156.05	15.00
Sub-total	92,321,040.35	13,848,156.05	15.00

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

20. Other non-current assets (Continued)

(2) Contract assets (Continued)

3) Changes in provision for impairment

Items	Opening balance	Provision	Recovery or Reversal	Write-off	Others	Closing balance
		Changes in amount during the period				
Provision for impairment made collectively	13,412,721.79	6,082,425.76			-5,646,991.50	13,848,156.05
Total	13,412,721.79	6,082,425.76			-5,646,991.50	13,848,156.05

21. 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	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	Proof 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
Total	659,382,278.61	553,613,345.16		

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

21. *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 last year	Book value at the end of last year	Types of restriction	Reasons for restriction
Monetary capital	42,026,226.39	42,026,226.39	Pledged and others	Security deposits, migrant workers' advance deposits
Notes receivable	62,988,425.32	62,704,643.04	Pledged	Notes endorsed and transferred but not yet derecognised
Accounts receivable	64,197,918.63	54,738,393.61	Pledged	Proof for accounts receivable that were endorsed and discounted but not yet derecognised
Contract assets	500,000.00	425,000.00	Pledged	Proof for accounts receivable that were endorsed and discounted but not yet derecognised
Fixed assets	339,581,175.37	287,065,157.26	Secured	Pledged security
Construction in progress	12,647,007.02	12,647,007.02	Secured	Pledged security
Intangible assets	96,138,778.16	80,343,007.04	Secured	Pledged security
Other non-current assets	44,164.62	37,539.93	Pledged	Proof for accounts receivable that were endorsed and discounted but not yet derecognised
Total	618,123,695.51	539,986,974.29		

Notes to the Financial Statements *(Continued)*
2024

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

22. *Short-term borrowings*

Items	Closing balance	Closing balance of last year
Secured and guaranteed borrowings		50,000,000.00
Secured borrowings	**5,000,000.00**	5,000,000.00
Guaranteed borrowings		50,000,000.00
Credit borrowings	**95,800,000.00**	91,500,000.00
Pledged borrowings	**24,840,149.32**	1,645,042.00
Total	**125,640,149.32**	198,145,042.00

23. *Bills payable*

Items	Closing balance	Closing balance of last year
Trade acceptance notes	**400,000.00**	
Bank acceptance notes	**52,600,000.00**	32,594,685.72
Total	**53,000,000.00**	32,594,685.72

24. *Accounts payable*

(1) Breakdown

Items	Closing balance	Closing balance of last year
Payables for materials	**324,456,645.92**	280,897,180.99
Payables for technology transfer	**50,779,344.35**	49,583,160.91
Payables for transportation	**9,705,436.84**	12,324,523.06
Payables for electricity and others	**6,788,687.75**	7,544,541.12
Total	**391,730,114.86**	350,349,406.08

(2) Ageing analysis

Ageing	Closing balance
Within 1 year	**328,095,828.52**
Over 1 year	**63,634,286.34**
Total	**391,730,114.86**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

24. Accounts payable (Continued)

(3) Material accounts payable ageing over 1 year

Item	Closing balance	Reasons of unsettlement or carrying-forward
Company A	39,865,945.80	Not qualified for payment
Sub-total	39,865,945.80	

25. Contract liabilities

Item	Closing balance	Closing balance of last year
Receipts in advance	**10,913,342.91**	14,747,268.98
Total	**10,913,342.91**	14,747,268.98

26. Payroll payable

(1) Breakdown

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Short-term remuneration	6,006,886.48	98,874,004.07	97,319,330.93	**7,561,559.62**
Post-employment benefits – established withdrawal and deposit plan	3,081.76	10,468,271.92	10,429,610.11	**41,743.57**
Total	6,009,968.24	109,342,275.99	107,748,941.04	**7,603,303.19**

Notes to the Financial Statements *(Continued)*
2024

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

26. 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	5,911,670.90	82,831,301.32	81,329,603.11	**7,413,369.11**
Staff welfare		2,476,711.31	2,476,711.31	
Social insurance	1,277.85	8,033,142.06	8,018,063.01	**16,356.90**
Including: Medical insurance	1,139.55	6,566,263.85	6,552,942.25	**14,461.15**
Work injury insurance	82.30	627,930.55	626,781.10	**1,231.75**
Maternity insurance	56.00	838,947.66	838,339.66	**664.00**
Housing provident funds	1,225.00	4,046,574.00	4,040,274.00	**7,525.00**
Labour union funds and employee education funds	92,712.73	1,486,275.38	1,454,679.50	**124,308.61**
Sub-total	6,006,886.48	98,874,004.07	97,319,330.93	**7,561,559.62**

(3) Breakdown of established withdrawal and deposit plan

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Basic pension insurance	2,962.46	10,029,646.12	9,992,492.43	**40,116.15**
Unemployment insurance premium	119.30	438,625.80	437,117.68	**1,627.42**
Sub-total	3,081.76	10,468,271.92	10,429,610.11	**41,743.57**

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)*

27. Taxes payable

Items	Closing balance	Closing balance of last year
Value added tax	**393,400.59**	5,514,397.51
Corporate income tax	**14,070,224.07**	11,398,740.76
Withholding and payment of individual income tax	**59,341.05**	94,130.48
Urban maintenance and construction tax	**19,114.43**	547,791.69
Education surcharge	**11,170.05**	243,417.80
Local education surcharge	**7,446.68**	162,278.51
Stamp duty	**193,694.75**	230,257.93
Others	**531,077.40**	410,654.02
Total	**15,285,469.02**	18,601,668.70

28. Other payables

Items	Closing balance	Closing balance of last year
Payments for engineering equipment	**13,680,039.39**	18,902,906.34
Security deposits	**3,200,000.00**	
Others	**2,859,019.02**	3,613,843.95
Total	**19,739,058.41**	22,516,750.29

29. Non-current liabilities due within one year

Items	Closing balance	Closing balance of last year
Long-term borrowings due within one year	**92,250,000.00**	158,340,000.00
Lease liabilities due within one year	**612,564.74**	
Total	**92,862,564.74**	158,340,000.00

30. Other current liabilities

Item	Closing balance	Closing balance of last year
VAT output to be recognised	**906,711.48**	3,905,143.52
Total	**906,711.48**	3,905,143.52

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

31. Long-term borrowings

(1) Breakdown

Items	Closing balance	Closing balance of last year
Secured borrowings	**100,000,000.00**	
Secured and guaranteed borrowings	**89,860,000.00**	89,600,000.00
Credit borrowings	**154,560,000.00**	60,710,000.00
Guaranteed borrowings	**39,881,000.00**	
Total	**384,301,000.00**	150,310,000.00

(2) Analysis of long-term borrowings by maturity date

Items	Closing balance	Closing balance of last year
Current or within 1 year	**92,250,000.00**	158,340,000.00
1-2 years	**234,460,000.00**	97,090,000.00
2-5 years	**149,841,000.00**	53,220,000.00
Sub-total	**476,551,000.00**	308,650,000.00
Including: Long-term borrowings due within 1 year	**92,250,000.00**	158,340,000.00
Long-term borrowings due after 1 year	**384,301,000.00**	150,310,000.00

32. Lease liabilities

Item	Closing balance	Closing balance of last year
Lease liabilities	**632,166.81**	
Total	**632,166.81**	

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

33. *Deferred income*

Item	Opening balance	Increase during the period	Decrease during the period	**Closing balance**	Reasons
Government grants	4,478,466.67		232,600.00	**4,245,866.67**	Asset-related government grants
Total	4,478,466.67		232,600.00	**4,245,866.67**	

34. *Share capital*

Items	Opening balance	Increase and decrease during the period ("–" for decrease)					**Closing balance**
		Issuance of new shares	Bonus shares	Transfer from reserves	Others	Sub-total	
Non-tradable shares	336,690,000.00						**336,690,000.00**
Shares held by domestic legal persons	14,350,000.00						**14,350,000.00**
Shares held by domestic natural persons	322,340,000.00						**322,340,000.00**
Tradable shares without selling restrictions	112,230,000.00						**112,230,000.00**
H shares	112,230,000.00						**112,230,000.00**
Total	448,920,000.00						**448,920,000.00**

35. *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			**813,227,049.41**
Other capital reserve	311,723.10	395,265.41		**706,988.51**
Total	813,538,772.51	395,265.41		**813,934,037.92**

(2) Other description

The increase in other capital reserve during the period was due to share of changes in other interests in associates based on the percentage of shareholding.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

36. *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		**24,878,196.19**
Total		24,878,196.19		**24,878,196.19**

(2) Other description

In 2024, the relevant Trustee of the H Share Award Scheme of the Company purchased an aggregate of 9,232,000 H shares of the Company from the market, at the average repurchase price of RMB2.69 per share.

37. *Other comprehensive income*

Items	Opening balance	Amounts for the period						Closing balance
		Other comprehensive income after tax, net					Less: Amount included in other comprehensive income in prior period and transferred to retained earnings during the period (attributable to the parent after tax)	
		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**
Total other comprehensive income	-123,507.71							**-123,507.71**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(I) Notes to the Consolidated Balance Sheet *(Continued)*

38. *Surplus reserve*

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	156,494,587.84			**156,494,587.84**
Total	156,494,587.84			**156,494,587.84**

39. *Undistributed profits*

(1) Breakdown

Items	Amounts for the period	Amounts for the same period of last year
Undistributed profits at the end of last period before adjustment	**1,046,929,545.57**	1,047,160,490.09
Total adjustment of undistributed profits at the beginning of the period ("+" for increase, "–" for decrease)		3,783.15
Undistributed profits at the beginning of the period after adjustment	**1,046,929,545.57**	1,047,164,273.24
Add: Net profits attributable to owners of parent for the period	**-50,828,456.99**	49,444,225.34
Less: Appropriation to statutory surplus reserve		4,697,169.01
Ordinary shares dividends payable	**8,999,948.00**	44,981,784.00
Undistributed profits at the end of the period	**987,101,140.58**	1,046,929,545.57

(2) Other description

According to the 2023 profit distribution plan considered and approved by the Board of the Company on 27 March 2024 and at the general meeting on 30 May 2024, the Company distributed a cash dividend of RMB0.010024 (tax inclusive) per Share, which amounted to total dividend distribution of RMB8,999,948.00. The said dividends have been paid.

Notes to the Financial Statements *(Continued)*
2024

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(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	**1,079,409,094.67**	**827,684,215.95**	1,187,291,567.34	899,796,743.07
Other operating revenue	**11,340,831.45**	**9,941,676.71**	8,854,931.42	4,998,779.02
Total	**1,090,749,926.12**	**837,625,892.66**	1,196,146,498.76	904,795,522.09
Including: Revenue from contracts with customers	**1,090,749,926.12**	**837,625,892.66**	1,196,146,498.76	904,795,522.09

(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	**674,207,741.98**	**440,134,990.79**	692,228,836.01	437,102,442.75
Welding wire	**310,594,437.62**	**310,635,930.23**	382,208,708.17	373,769,974.07
Railway sleepers	**92,325,995.36**	**74,840,013.96**	112,854,023.16	88,924,326.25
Others	**13,621,751.16**	**12,014,957.68**	8,854,931.42	4,998,779.02
Sub-total	**1,090,749,926.12**	**837,625,892.66**	1,196,146,498.76	904,795,522.09

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	**1,048,563,967.64**	**800,072,520.45**	1,147,773,007.28	864,160,906.16
Overseas	**42,185,958.48**	**37,553,372.21**	48,373,491.48	40,634,615.93
Sub-total	**1,090,749,926.12**	**837,625,892.66**	1,196,146,498.76	904,795,522.09

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	**1,090,749,926.12**	1,196,146,498.76
Sub-total	**1,090,749,926.12**	1,196,146,498.76

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(II) Notes to the Consolidated Income Statement *(Continued)*

1. *Operating revenue/operating cost (Continued)*

(3) The revenue recognised during the period and included in the book value of contract liabilities at the beginning of the period was RMB10,382,539.49.

(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	Generally monthly settlement	Processing services, testing services, etc.	Yes	None	Assurance-type quality warranty
Sales of goods	At the time of goods delivery	Generally monthly settlement	Power products and commissioned processing welding wire	No	None	None

2. *Taxes and surcharges*

Items	Amounts for the period	Amounts for the same period of last year
Urban maintenance and construction tax	**2,194,521.87**	2,528,165.27
Education surcharge	**959,272.31**	1,110,007.53
Local education surcharge	**639,514.87**	740,005.08
Stamp duty	**779,933.90**	1,234,559.87
Real estate tax	**5,279,274.63**	5,181,050.53
Land use tax	**3,617,928.97**	3,479,479.64
Others	**3,197.79**	118.12
Total	**13,473,644.34**	14,273,386.04

Notes to the Financial Statements *(Continued)*
2024

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	**10,509,995.10**	10,243,681.11
Travel expenses	**1,961,285.30**	1,893,423.34
Product test & certification costs	**2,955,349.62**	2,105,987.19
Entertainment charge	**3,221,872.39**	3,900,173.17
Sample service fees	**537,345.65**	286,386.90
Amortisation of low-value consumables	**150,824.73**	402,417.34
Others	**1,341,230.84**	960,446.72
Total	**20,677,903.63**	19,792,515.77

4. Management expenses

(1) Breakdown

Items	Amounts for the period	Amounts for the same period of last year
Payroll	**28,641,315.57**	28,837,337.35
Agency fee	**4,281,805.47**	4,742,992.40
Technology transfer fee	**10,913,164.57**	11,535,526.73
Depreciation and amortisation	**26,941,677.07**	26,885,493.01
Office expenses	**10,517,021.15**	13,043,488.75
Business entertainment expenses	**2,642,995.88**	1,935,399.43
Travel expenses	**1,390,140.58**	1,270,257.75
Amortisation of low-value consumables	**1,719,804.82**	2,566,135.52
Lease payment	**1,559,520.13**	583,008.41
Others	**3,920,764.06**	4,120,100.25
Total	**92,528,209.30**	95,519,739.60

(2) The management expenses for the year included auditors' remuneration of RMB1,509,400, of which the audit fee for 2024 amounted to RMB1,132,000, and the interim audit fee for 2024 was RMB377,400. The management expenses for 2023 included auditors' remuneration of RMB1,509,400.

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	**16,293,905.28**	19,581,385.33
Payroll	**6,634,105.08**	8,236,095.10
Electricity charges	**3,252,214.92**	4,257,621.22
Depreciation	**627,373.47**	742,059.07
Others	**612,452.08**	512,222.76
Total	**27,420,050.83**	33,329,383.48

6. *Finance costs*

Items	Amounts for the period	Amounts for the same period of last year
Interest expense	**18,054,168.77**	18,659,943.26
Less: Interest income	**1,275,562.65**	2,431,294.86
Exchange gains or losses	**493,955.45**	573,137.38
Bank charges	**773,555.72**	708,713.02
Total	**18,046,117.29**	17,510,498.80

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	**232,600.00**	232,600.00	232,600.00
Government grants related to income	**354,231.66**	2,839,527.66	354,231.66
Refund of handling charges of individual income tax	**137,933.78**	155,707.95	
Additional value-added tax credit	**3,370,708.63**	4,990,296.61	
Total	**4,095,474.07**	8,218,132.22	586,831.66

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(II) Notes to the Consolidated Income Statement *(Continued)*

8. *Investment gains*

(1) Breakdown

Items	Amounts for the period	Amounts for the same period of last year
Gains from long-term equity investment calculated under equity method	**23,416,869.85**	34,361,625.08
Investment gains from disposal of financial assets held for trading	**-8,463,056.26**	-68,135,188.24
Investment gains from financial assets held for trading during the holding period	**313,950.25**	366,240.00
Others	**-372,132.26**	-89,167.69
Total	**14,895,631.58**	-33,496,490.85

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**	19,019,173.08
Total	**-59,643,427.68**	19,019,173.08

10. *Loss on credit impairment*

Item	Amounts for the period	Amounts for the same period of last year
Loss on bad debts	**-64,176,392.08**	-36,895,029.79
Total	**-64,176,392.08**	-36,895,029.79

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	**-18,789,112.87**	-9,088,163.76
Impairment loss of contract assets	**-2,441,690.88**	-4,111,312.26
Impairment loss of goodwill	**-13,571,673.81**	-5,665,026.17
Total	**-34,802,477.56**	-18,864,502.19

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	**71,022.24**	206,010.00	71,022.24
Amount not subject to payment	**1,395,695.33**	1,310,457.58	1,395,695.33
Others	**61,265.81**	5,848.84	61,265.81
Total	**1,527,983.38**	1,522,316.42	1,527,983.38

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	**499,628.89**		499,628.89
Donation		10,260.00	
Uncollectible amount	**2,334.03**	171,701.42	2,334.03
Overdue payments	**96,746.53**	72,465.95	96,746.53
Others	**5.03**	43,480.19	5.03
Total	**598,714.48**	297,907.56	598,714.48

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	**17,424,972.16**	21,580,900.91
Deferred income tax expenses	**-24,100,562.07**	-21,752,457.55
Total	**-6,675,589.91**	-171,556.64

(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	**-57,723,814.70**	50,131,144.31
Income tax expenses calculated by the applicable tax rates of the parent	**-8,658,572.20**	7,542,843.54
Effect of different tax rates applicable to subsidiaries	**-1,498,952.43**	-182,735.31
Effect of adjusting income tax from prior periods	**1,650,496.30**	-3,025,534.14
Effect of non-taxable income	**-3,512,530.48**	-5,154,243.76
Effect of non-deductible costs, expenses and losses	**506,228.75**	465,459.55
Effect of utilising deductible temporary differences or deductible losses of unrecognised deferred income tax assets in prior periods	**-2,937.06**	
Effect of deductible temporary differences or deductible losses of unrecognised deferred income tax assets during the period	**4,465,072.45**	1,550,230.80
Effect of additional deduction on research and development expense and salaries of disabled employees	**-1,660,146.31**	-2,217,331.25
Others	**2,035,751.07**	849,753.93
Income tax expenses	**-6,675,589.91**	-171,556.64

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	**18,065,060.57**	49,840,447.75
Bank acceptance notes deposits received	**15,628,174.36**	46,903,473.73
Security deposits received	**3,200,000.00**	
Government grants received	**354,231.66**	2,839,527.66
Interest income received	**1,275,562.65**	2,431,294.86
Others	**2,330,762.24**	6,031,932.59
Total	**40,853,791.48**	108,046,676.59

(2) Other cash payment relating to operating activities

Items	Amounts for the period	Amounts for the same period of last year
Payment for performance bond	**18,301,572.26**	28,244,286.14
Payment for bank acceptance notes deposits	**22,429,768.58**	30,550,266.59
Payment for letter of credit deposits	**7,000,000.00**	
Payment of expenses of the period	**46,999,326.21**	38,951,856.90
Others	**690,777.14**	451,369.19
Total	**95,421,444.19**	98,197,778.82

(3) 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	**24,878,196.19**	
Payment of leases	**700,000.00**	700,000.00
Total	**25,578,196.19**	700,000.00

Notes to the Financial Statements *(Continued)*
2024

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	**-51,048,224.79**	50,302,700.95
Add: Provision for impairment on assets	**34,802,477.56**	18,864,502.19
Provisions for credit impairment	**64,176,392.08**	36,895,029.79
Depreciation of fixed assets, depreciation of right-of-use assets, depletion of oil and gas assets and depreciation of bearer biological assets	**57,150,964.6**	51,601,712.28
Amortisation of intangible assets	**3,584,270.73**	3,517,735.79
Amortisation of long-term deferred expenses	**183,498.96**	61,166.15
Losses on disposal of fixed assets, intangible assets and other long-term assets ("–" for gains)		
Losses on write-off of fixed assets ("–" for gains)	**499,628.89**	171,701.42
Losses on changes in fair value ("–" for gains)	**59,643,427.68**	-19,019,173.08
Finance costs ("–" for gains)	**18,548,124.22**	19,233,080.64
Investment losses ("–" for gains)	**-15,080,215.97**	33,407,323.16
Decrease in deferred income tax assets ("–" for increase)	**-24,075,256.13**	-21,728,366.45
Increase in deferred income tax liabilities ("–" for decrease)	**-25,305.94**	-24,091.10
Decrease in inventories ("–" for increase)	**-104,032,725.62**	-26,428,240.87
Decrease in operational receivables ("–" for increase)	**-82,713,239.80**	84,568,468.25
Increase in operational payables ("–" for decrease)	**56,308,432.22**	-37,798,390.70
Others		
Net cash flows from operating activities	**17,922,248.69**	193,625,158.42
(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	**100,974,352.18**	90,061,255.64
Less: Balance of cash at the beginning of the period	**90,061,255.64**	77,019,860.44
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	**10,913,096.54**	13,041,395.20

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	**100,974,352.18**	90,061,255.64
Including: Cash on hand	**33,372.44**	43,261.25
Bank deposit readily available for payment	**100,940,979.74**	89,017,731.22
Other monetary fund readily available for payment		1,000,263.17
Central bank deposit readily 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	**100,974,352.18**	90,061,255.64
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
Other monetary fund	**56,874,400.93**	42,026,226.39	Not readily available for payment

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: Cash changes	Increase during the period: Non-cash changes	Decrease during the period: Cash changes	Decrease during the period: Non-cash changes	Closing balance
Short-term borrowings	198,145,042.00	219,653,422.14	6,565,038.04	297,078,310.86	1,645,042.00	125,640,149.32
Long-term borrowings (including long-term borrowings due within one year)	308,650,000.00	331,940,000.00	11,440,499.38	175,479,499.38		476,551,000.00
Lease liabilities (including lease liabilities due within one year			1,886,933.38	642,201.83		1,244,731.55
Sub-total	506,795,042.00	551,593,422.14	19,892,470.80	473,200,012.07	1,645,042.00	603,435,880.87

5. *Significant activities that do not involve cash receipt and payment*

Transferred endorsed commercial bill which does not involve cash receipt and payment

Items	**Amounts for the period**	Amounts for the same period of last year
Transferred endorsed commercial bill	**215,983,407.77**	308,710,019.44
Including: Payment for goods	**208,585,894.60**	290,743,913.42
Payment for purchase of long-term assets such as fixed assets	**7,397,513.17**	17,966,106.02

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(V) Others

1. Monetary items in foreign currencies

Items	Foreign currency balance at the end of the period	Exchange rate	Balance translated into RMB at the end of the period
Monetary capital			**2,601,622.91**
Including: US Dollar	**269,365.70**	**7.1884**	**1,936,308.40**
HK Dollar	**718,451.16**	**0.92604**	**665,314.51**
Accounts receivable			**1,938,577.78**
Including: US Dollar	**269,681.40**	**7.1884**	**1,938,577.78**

2. Lease

The Company as a lessee

(1) For details of relevant information about right-of-use assets, see Note V(I) 15 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 amount of short-term lease expenses and low-value asset lease expenses through profit or loss for the period are as follows:

Items	Amounts for the period	Amounts for the same period of last year
Short-term lease expenses	**1,663,580.13**	677,798.41
Total	**1,663,580.13**	677,798.41

(3) Profit or loss and cash flows related to the lease for the period

Items	Amounts for the period	Amounts for the same period of last year
Interest expenses of lease liability	**48,631.35**	14,729.59
Total cash outflow related to the lease	**2,363,580.13**	1,377,798.41

(4) For the analysis of the maturity of lease liabilities and the corresponding liquidity risk management, see Note IX(II) to these financial statements.

Notes to the Financial Statements *(Continued)*
2024

VI. RESEARCH AND DEVELOPMENT EXPENSES

Items	Amounts for the period	Amounts for the same period of last year
Material costs	**16,293,905.28**	19,581,385.33
Payroll	**6,634,105.08**	8,236,095.10
Electricity charges	**3,252,214.92**	4,257,621.22
Depreciation	**627,373.47**	742,059.07
Others	**612,452.08**	512,222.76
Total	**27,420,050.83**	33,329,383.48
Including: Expensed research and development expenses	**27,420,050.83**	33,329,383.48

VII. EQUITY IN OTHER ENTITIES

(I) Composition of the enterprise group

1. 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 Railway), 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).

VII. EQUITY IN OTHER ENTITIES *(Continued)*

(I) Composition of the enterprise group *(Continued)*

2. General information of subsidiaries

Name of subsidiaries	Place of registration	Principal place of business	Type of legal person	Paid-in capital (RMB ten thousand)	Nature of business	Percentage of shareholding (%) Direct	Indirect	Acquisition method
Yichen Railway Engineering Equipment	Shijiazhuang	Shijiazhuang	Limited liability	12,643.41	Manufacturing	100.00		Establishment
Yichen Welding	Shijiazhuang	Shijiazhuang	Limited liability	15,000.00	Manufacturing	100.00		Establishment
Yichen Packaging	Shijiazhuang	Shijiazhuang	Limited liability		Manufacturing		100.00	Establishment
Yichen Corporate Management	Shijiazhuang	Shijiazhuang	Limited liability	295.00	Manufacturing	100.00		Establishment
Xingtai Juneng	Xingtai	Xingtai	Limited liability	5,100.00	Manufacturing	87.50		Business combination not under common control
Zhongke Yichen New Material	Shijiazhuang	Shijiazhuang	Limited liability		Technological promotion and application services	100.00		Establishment
Hebei Yichen Jinzhao Railway Technology Co., Ltd. (河北翼辰金兆軌道科技有限公司)	Shijiazhuang	Shijiazhuang	Limited liability		Manufacturing		100.00	Establishment
Yichen Hong Kong Trading	Hong Kong	Hong Kong	Private limited company by shares	2,848.51	Commerce	100.00		Establishment
Guizhou Juneng	Guizhou	Guizhou	Limited liability	500.00	Manufacturing		87.50	Establishment

(II) Interests in joint ventures or associates

1. Significant joint ventures or associates

Name of joint venture or associate	Principal place of business	Place of registration	Nature of business	Percentage of shareholding (%) Direct	Indirect	Accounting treatment for investments in joint ventures or associates
Tieke Yichen	Shijiazhuang	Shijiazhuang	Manufacturing	49.00		Equity method

Notes to the Financial Statements *(Continued)*
2024

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	**52,639.08**	47,878.28
Non-current assets	**24,678.53**	23,871.69
Total assets	**77,317.61**	71,749.97
Current liabilities	**14,057.64**	13,982.96
Non-current liabilities	**38.97**	110.74
Total liabilities	**14,096.61**	14,093.70
Equity attributable to owners of the parent	**63,221.01**	57,656.27
Net assets based on shareholding percentage	**30,978.29**	28,251.57
Adjustment for		
Unrealised profit from intra-group transactions	**-69.19**	-70.88
Book value of equity investments in associates	**30,909.10**	28,180.69
Operating revenue	**40,980.24**	43,766.02
Net profit	**8,094.07**	9,527.82
Total comprehensive income	**8,094.07**	9,527.82
Dividends received from associates during the period	**1,278.90**	710.50

VIII. GOVERNMENT GRANTS

(I) Government grants increased during the period

Items	Grants increased during the period
Government grants related to income	354,231.66
Including: Included in other income	354,231.66
Total	354,231.66

(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	4,478,466.67		232,600.00	
Sub-total	4,478,466.67		232,600.00	

Items	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				**4,245,866.67**	Relating to assets
Sub-total				**4,245,866.67**	

(III) Government grants credited to the current profit or loss for the period

Items	**Amounts for the period**	Amounts for the same period of last year
Government grants credited to other income	**586,831.66**	3,072,127.66
Total	**586,831.66**	3,072,127.66

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.

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) 3, V(I) 4, V(I) 5, V(I) 7, V(I) 9 and V(I) 20 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 regularly/continuously conducts credit assessment 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 2024, 40.29% (31 December 2023: 34.64%) 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 was 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.

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

(II) Liquidity risk *(Continued)*

Classification of financial liabilities based on the remaining maturity

Items	Closing balance				
	Book value	Undiscounted contractual amount	Within 1 year	1 to 3 years	Over 3 years
Bank borrowings	**602,803,714.06**	**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**	

Items	Closing balance of last year				
	Book value	Undiscounted contractual amount	Within 1 year	1 to 3 years	Over 3 years
Bank borrowings	506,795,042.00	523,561,289.40	368,823,455.43	154,737,833.97	
Bills payable	32,594,685.72	32,594,685.72	32,594,685.72		
Accounts payable	350,349,406.08	350,349,406.08	350,349,406.08		
Other payables	22,516,750.29	22,516,750.29	22,516,750.29		
Lease liabilities and lease liabilities due within one year					
Sub-total	912,255,884.09	929,022,131.49	774,284,297.52	154,737,833.97	

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. The interest-bearing financial instrument with fixed interest rate exposes the Company to the fair value interest rate risk, while the interest-bearing financial instrument with floating interest rate exposes the Company to the cash flow interest rate risk. The Company determines the ratio of fixed to floating rate financial instruments in accordance with market circumstance, and maintains the appropriate portfolio of financial instrument through regular review and monitoring. The Company's exposure to cash flow interest rate risk relates primarily to the Company's bank borrowings with floating interest rate.

As of 31 December 2024, the Company's bank borrowings with floating interest rate totalled RMB330,820,000.00 (31 December 2023: RMB269,200,000.00). Assuming that interest rates had been 50 basis points higher/lower with all other variables held constant, the interest expenses will increase/decrease by RMB1,654,100.00, resulting in a 2.87% upward/downward impact on the audited total profit. There will be no significant impact on the Company's total profit and shareholders' interests.

2. *Foreign exchange risk*

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(V) 1 to these financial statements.

IX. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

(V) Transfer of Financial Assets

1. General information on transfer of financial assets

Way of transfer	Nature of financial assets transferred	Amount of financial assets transferred	Status of derecognition	Judgement basis on status of derecognition
Endorsement	Bills receivable	44,268,163.28	Not yet derecognised	Retains substantially all the risks and rewards
Endorsement	Financing of receivables	32,756,085.25	Derecognised	Transferred substantially all the risks and rewards
Transfer and factoring of accounts receivable	Accounts receivable	69,076,589.19	Not yet derecognised	Retains substantially all the risks and rewards
Sub-total		146,100,837.72		

2. Derecognition of financial assets due to transfers

Items	Way of transfer of financial assets	Amount of financial assets derecognised	Gains or losses relating to derecognition
Financing of receivables	Endorsement	32,756,085.25	
Sub-total		32,756,085.25	

3. The amount of assets and liabilities resulted from transferring financial assets and continuing involvement

Items	Way of transfer of assets	Amount of assets resulted from continuing involvement	Amount of liabilities resulted from continuing involvement
Bills receivable	Endorsement	44,268,163.28	44,268,163.28
Accounts receivable	Transfer, factoring	69,076,589.19	69,076,589.19
Sub-total		113,344,752.47	113,344,752.47

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			
	Fair value measured at level 1	Fair value measured at level 2	Fair value measured at level 3	Total
Recurring fair value measurement				
1. Financing of receivables			**12,520,009.41**	**12,520,009.41**
2. Other equity instruments investment			**18,197,392.29**	**18,197,392.29**

(II) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorised within level 3

The financing of receivables with fair value measured at level 3 held by the Company represent bank acceptance notes receivable which have low credit risk and short remaining terms. The Company determines their fair value based on their nominal balance.

Other equity instruments investment with fair value measured at level 3 held by the Company represents equity interest in unlisted companies. For unlisted equity instruments investment, the Company estimates the 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.

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 Qiuju	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

Notes to the Financial Statements *(Continued)*
2024

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) 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	**229,770,538.57**	120,466,682.71
Hebei Chenteng Power Sales Co., Ltd.	Electricity supply service	**39,770,591.19**	3,807,379.93
Total		**269,541,129.76**	124,274,062.64

(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	**160,183.49**	543,198.92
Tieke Yichen	Provision of labour services	**314,448.85**	363,973.84
Tieke Yichen	Sales of goods	**2,246,718.22**	3,646,040.09
Total		**2,721,350.56**	4,553,212.85

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	Type 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	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

Name of lessor	Type 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		642,201.84		14,729.59

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 date of the guarantee	Expiry date of the guarantee	Guarantee fully fulfilled
Zhang Haijun (Note 1)	RMB39,881,000	20 March 2024	18 March 2030	No
Zhang Haijun, Zhou Qiuju (Note 2)	RMB179,260,000	14 October 2024	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 2024, the borrowing balance with China Guangfa Bank Co., Ltd. Shijiazhuang Branch was RMB39.881 million.

(Note 2) 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*

Items	Amounts for the period	Amounts for the same period of last year
Compensation to key management personnel	**3,483,877.41**	3,483,340.15

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(II) Related party transactions *(Continued)*

5. Remunerations of directors and supervisors

Directors/Supervisors	Amounts for the period				
	Salaries, allowances and subsidies	Pension insurance	Housing provident funds	Other social insurance	Total
Executive director:					
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
Independent non-executive director:					
Jip Ki Chi	161,342.15				161,342.15
Zhang Liguo	39,999.96				39,999.96
Wang Fuju	39,999.96				39,999.96
Supervisor:					
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
Total	2,127,575.42	193,840.06	59,938.00	90,280.58	2,471,634.06

Notes to the Financial Statements *(Continued)*
2024

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(II) Related party transactions *(Continued)*

5. *Remunerations of directors and supervisors* (Continued)

Directors/Supervisors	Amounts for the same period of last year				
	Salaries, allowances and subsidies	Pension insurance	Housing provident funds	Other social insurance	Total
Executive director:					
Zhang Haijun	521,106.64				521,106.64
Wu Jinyu	250,860.04	35,775.84	12,396.00	23,006.76	322,038.64
Zhang Chao	240,859.96	35,775.84	11,898.00	23,006.76	311,540.56
Zhang Lihuan	315,155.04	7,155.12	2,778.00	7,174.08	332,262.24
Ma Xuehui	124,071.56	7,155.12	2,778.00	7,174.08	141,178.76
Independent non-executive director:					
Jip Ki Chi	158,263.88				158,263.88
Zhang Liguo	39,999.96				39,999.96
Wang Fuju	39,999.96				39,999.96
Supervisor:					
Hu Hebin	262,337.91	35,775.84	12,972.00	23,006.76	334,092.51
Liu Jianbin	119,866.68	15,999.96	4,638.00	9,348.48	149,853.12
Guan En	118,266.68	15,999.96	4,704.00	9,595.44	148,566.08
Total	2,190,788.31	153,637.68	52,164.00	102,312.36	2,498,902.35

(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

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 (2023: 2) Directors whose details of emoluments are stated in Note XI(II) 5 to these financial statements. The details of the remaining 3 (2023: 3) non-director employees' total remunerations are as follows:

Items	Amounts for the period	Amounts for the same period of last year
Salaries, bonuses, allowances and subsidies	**1,070,840.04**	1,094,565.04
Housing provident funds	**7,902.00**	2,778.00
Pension insurance	**34,500.84**	7,155.12
Other social insurance	**9,028.53**	7,174.08
Total	**1,122,271.41**	1,111,672.24

The emoluments of 3 (2023: 3) non-director employees fell within the following bands:

Items	Number for the period	Number for the same period of last year
HKD nil – HKD1,000,000	**3**	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.

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	**15,177,843.70**	**529,390.37**	15,724,958.54	325,861.24
Sub-total		**15,177,843.70**	**529,390.37**	15,724,958.54	325,861.24
Prepayments	Hebei Chenteng Power Sales Co., Ltd	**2,316,221.09**		62,431.32	
Sub-total		**2,316,221.09**		62,431.32	
Other receivables	Yin Yanping	**36,800.00**	**3,680.00**	36,800.00	736.00
Sub-total		**36,800.00**	**3,680.00**	36,800.00	736.00

2. *Amount due to related parties*

Name of items	Related party	Closing balance	Closing balance of last year
Accounts payable	Tieke Yichen	**161,331,747.32**	93,082,737.35
Sub-total		**161,331,747.32**	93,082,737.35
Bills payable	Tieke Yichen	**35,000,000.00**	15,000,000.00
Sub-total		**35,000,000.00**	15,000,000.00
Non-current liabilities due within one year	Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd.	**612,564.74**	
Sub-total		**612,564.74**	
Lease liabilities	Shijiazhuang City Gaocheng District Longji Corporate Management Co., Ltd.	**632,166.81**	
Sub-total		**632,166.81**	

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

Profit distribution after the balance sheet date

Profits or dividends proposed to distribute	15,083,712
Profits or dividends declared to distribute after review and approval	On 27 March 2025, the Board of Directors of the Company convened a meeting to approve the profit distribution scheme for the year 2024, pursuant to which the Company intended to distribute RMB0.0168 per share in cash dividend to all shareholders, amounting to total cash dividend of RMB15,083,712. The above preliminary scheme for profit distribution is subject to review and approval at the general meeting of the Company.

XIV. OTHER SIGNIFICANT EVENTS

(I) 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 *(Continued)*
2024

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	Closing balance Book balance Amount	Proportion (%)	Provision for bad debts Amount	Percentage of provision (%)	Book value
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**
Total	**1,367,579,522.72**	**100.00**	**280,118,060.71**	**20.48**	**1,087,461,462.01**

Categories	Closing balance of last year Book balance Amount	Proportion (%)	Provision for bad debts Amount	Percentage of provision (%)	Book value
Provision for bad debts made individually	11,473,696.11	0.89	11,473,696.11	100.00	
Provision for bad debts made collectively	1,271,955,264.43	99.11	209,547,009.32	16.47	1,062,408,255.11
Total	1,283,428,960.54	100.00	221,020,705.43	17.22	1,062,408,255.11

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	Closing balance Book balance	Provision for bad debts	Percentage of provision (%)
Grouped by payment	1,169,285,434.38	225,852,864.74	19.32
Grouped by retention monies	141,416,946.16	45,072,661.20	31.87
Group of related parties within the scope of combination	47,684,607.41		
Sub-total	1,358,386,987.95	270,925,525.94	19.94

3) Accounts receivables – grouped by payment, 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	554,735,225.59	11,094,704.51	2.00
1 to 2 years	262,426,801.11	26,242,680.11	10.00
2 to 3 years	167,646,781.52	50,294,034.46	30.00
3 to 4 years	76,587,521.91	38,293,760.96	50.00
4 to 5 years	39,807,097.73	31,845,678.18	80.00
Over 5 years	68,082,006.52	68,082,006.52	100.00
Total	1,169,285,434.38	225,852,864.74	19.32

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	47,175,543.07	7,076,331.46	15.00
1 to 2 years	28,773,587.05	4,316,038.06	15.00
2 to 3 years	33,882,062.52	10,164,618.76	30.00
3 to 4 years	10,555,683.50	5,277,841.75	50.00
4 to 5 years	13,961,194.26	11,168,955.41	80.00
Over 5 years	7,068,875.76	7,068,875.76	100.00
Total	141,416,946.16	45,072,661.20	31.87

(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	625,578,837.16	18,171,035.97	2.90	655,526,429.63	17,649,934.94	2.69
1 to 2 years	314,762,433.77	30,558,718.17	9.71	340,601,273.52	35,853,812.01	10.53
2 to 3 years	201,983,337.34	60,458,653.22	29.93	110,486,707.11	33,146,012.13	30.00
3 to 4 years	87,143,205.41	43,571,602.71	50.00	62,578,007.97	31,289,003.99	50.00
4 to 5 years	53,768,291.99	43,014,633.59	80.00	55,772,999.76	44,618,399.81	80.00
Over 5 years	84,343,417.05	84,343,417.05	100.00	58,463,542.55	58,463,542.55	100.00
Total	1,367,579,522.72	280,118,060.71	20.48	1,283,428,960.54	221,020,705.43	17.22

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.

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

		Changes in amount during the period				
Items	Opening balance	Provision	Recovery or reversal	Write-off	Others	Closing balance
Provision for bad debts made individually	11,473,696.11		1,172.00	2,279,989.34		**9,192,534.77**
Provision for bad debts made collectively	209,547,009.32	59,626,297.29		1,616,377.67	3,368,597.00	**270,925,525.94**
Total	221,020,705.43	59,626,297.29	1,172.00	3,896,367.01	3,368,597.00	**280,118,060.71**

(4) Actual accounts receivable written off during the period

Item	Amount written off
Actual accounts receivable written off	**3,896,367.01**

(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 RMB648,786,667.55, representing 43.66% 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 RMB95,020,296.32 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	**6,247,662.15**	8,869,341.61
Imprest	**489,103.44**	423,779.05
Related parties transactions within the scope of combination	**37,500,000.00**	40,000,000.00
Others	**48,390.31**	74,474.21
Total book balance	**44,285,155.90**	49,367,594.87
Less: provision for bad debts	**2,097,234.62**	2,319,225.13
Total book value	**42,187,921.28**	47,048,369.74

(2) Ageing Status

Ageing	Closing balance	Closing balance of last year
Within 1 year	**7,538,120.30**	42,803,360.18
1 to 2 years	**32,822,984.21**	1,163,862.73
2 to 3 years	**390,258.00**	426,763.26
3 to 4 years	**423,000.00**	1,842,815.31
4 to 5 years	**530,000.00**	973,620.39
Over 5 years	**2,580,793.39**	2,157,173.00
Total book balance	**44,285,155.90**	49,367,594.87
Less: provision for bad debts	**2,097,234.62**	2,319,225.13
Total book value	**42,187,921.28**	47,048,369.74

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

	Closing balance				
	Book balance		Provision for bad debts		
Categories	Amount	Proportion (%)	Amount	Proportion (%)	Book value
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**

	Closing balance of last year				
	Book balance		Provision for bad debts		
Category	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Provision for bad debts made individually	761,173.00	1.54	761,173.00	100.00	
Provision for bad debts made collectively	48,606,421.87	98.46	1,558,052.13	3.21	47,048,369.74
Total	49,367,594.87	100.00	2,319,225.13	4.70	47,048,369.74

Notes to the Financial Statements *(Continued)*
2024

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

	Closing balance		
Portfolios	Book balance	Provision for bad debts	Percentage of provision (%)
Security deposits receivable portfolio	**5,486,489.15**	**1,318,881.09**	**24.04**
Imprest receivable portfolio	**489,103.44**	**14,772.72**	**3.02**
Related parties portfolio within the scope of combination	**37,500,000.00**		
Others	**48,390.31**	**2,407.81**	**4.98**
Sub-total	**43,523,982.90**	**1,336,061.62**	**3.07**

3) Changes in provision for bad debts

Items	Stage 1 Expected credit loss in following 12 months	Stage 2 Lifetime expected credit loss (without credit impairment)	Stage 3 Lifetime expected credit loss (with credit impairment)	Total
Opening balance	104,001.74	310,175.10	1,905,048.29	2,319,225.13
Opening balance for the period	–	–	–	
– Transfer to stage 2	-894.38	894.38		
– Transfer to stage 3		-504.69	504.69	
– Reverse to stage 2				
– Reverse to stage 1				
Provision for the period	-40,832.86	-42,412.12	-138,745.52	-221,990.51
Recovery or reversal for the period				
Write-off for the period				
Other changes				
Closing balance	62,274.50	268,152.67	1,766,807.45	2,097,234.62
Percentage of provision for bad debts at the end of the period (%)	0.15	14.88	94.54	4.74

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) 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 RMB39,321,173.00, representing 88.79% of the total closing balance of other receivables. The corresponding provision for bad debts of other receivables was RMB860,373.00 in aggregate.

3. *Long-term equity investments*

(1) Breakdown

	Closing balance			Closing balance of last year		
Items	**Book balance**	**Provision for impairment**	**Book value**	Book balance	Provision for impairment	Book value
Investments in subsidiaries	**494,709,619.86**	**54,444,501.09**	**440,265,118.77**	466,231,767.36	40,872,827.28	425,358,940.08
Investments in associates and joint ventures	**273,617,321.42**		**273,617,321.42**	262,594,186.16		262,594,186.16
Total	**768,326,941.28**	**54,444,501.09**	**713,882,440.19**	728,825,953.52	40,872,827.28	687,953,126.24

(2) Investment in subsidiaries

	Opening balance		Increase or decrease during the period				**Closing balance**	
Investees	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						**154,899,553.96**	
Yichen Corporate Management	2,950,000.00						**2,950,000.00**	
Yichen Welding	150,000,000.00						**150,000,000.00**	
Xingtai Juneng	117,502,172.72	40,872,827.28			13,571,673.81		**103,930,498.91**	**54,444,501.09**
Yichen Hong Kong Trading	7,213.40		28,477,852.50				**28,485,065.90**	
Sub-total	425,358,940.08	40,872,827.28	28,477,852.50		13,571,673.81		**440,265,118.77**	**54,444,501.09**

Notes to the Financial Statements *(Continued)*
2024

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

	Opening balance		Increase or decrease during the period			
Investees	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 Yichen	262,594,186.16				23,416,869.85	
Total	262,594,186.16				23,416,869.85	

	Increase or decrease during the period				Closing balance	
Investee	Other changes in equity	Cash dividends or profit distribution declared	Provision for impairment	Others	Book value	Provision for impairment
Associate						
Tieke Yichen	395,265.41	12,789,000.00			**273,617,321.42**	
Total	395,265.41	12,789,000.00			**273,617,321.42**	

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

(1) Breakdown

Items	Amounts for the period		Amounts for the same period of last year	
	Revenue	Cost	Revenue	Cost
Revenue from principal business	**695,019,329.39**	**464,550,220.65**	828,416,132.18	571,354,678.35
Other operating revenue	**9,855,890.21**	**8,482,854.13**	69,902,015.35	67,303,552.42
Total	**704,875,219.60**	**473,033,074.78**	898,318,147.53	638,658,230.77
Including: Revenue from contracts with customers	**701,664,210.42**	**469,869,737.98**	898,318,147.53	638,658,230.77

(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	**675,579,435.55**	**447,533,940.82**	692,996,450.45	442,642,767.94
Welding material	**19,038,158.43**	**16,599,883.97**	134,880,189.70	128,260,261.64
Railway sleepers	**401,735.41**	**416,395.86**	539,492.03	451,648.77
Others	**6,644,881.03**	**5,319,517.33**	69,902,015.35	67,303,552.42
Sub-total	**701,664,210.42**	**469,869,737.98**	898,318,147.53	638,658,230.77

Notes to the Financial Statements *(Continued)*
2024

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	**698,492,530.12**	**466,841,870.87**	877,190,033.48	620,256,594.48
Overseas	**3,171,680.30**	**3,027,867.11**	21,128,114.05	18,401,636.29
Sub-total	**701,664,210.42**	**469,869,737.98**	898,318,147.53	638,658,230.77

3) Breakdown of revenue from contracts with customers by time of transfer of goods or services

Items	Amounts for the period	Amounts for the same period of last year
Revenue recognised at a point of time	**701,664,210.42**	898,318,147.53
Sub-total	**701,664,210.42**	898,318,147.53

(3) The revenue recognised during the period and included in the book value of contract liabilities at the beginning of the period was RMB1,252,733.18.

(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	Generally monthly settlement	Processing services, testing services, etc.	Yes	None	Assurance-type quality warranty
Sales of goods	At the time of goods delivery	Generally monthly settlement	Power products and commissioned processing welding wire	No	None	None

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	**13,807,439.39**	17,771,066.13
Payroll	**5,802,725.41**	7,430,336.32
Electricity charges	**3,123,509.97**	4,130,325.29
Depreciation	**437,283.28**	553,769.29
Others	**1,340.03**	3,185.84
Total	**23,172,298.08**	29,888,682.87

3. *Investment gains*

(1) Breakdown

Items	Amounts for the period	Amounts for the same period of last year
Gains from long-term equity investment calculated under equity method	**23,416,869.85**	34,361,625.08
Investment gains from financial assets held for trading during the holding period	**229,452.00**	366,240.00
Investment gains from disposal of financial assets held for trading	**-2,874,157.48**	-68,135,188.24
Total	**20,772,164.37**	-33,407,323.16

Notes to the Financial Statements *(Continued)*
2024

XVI. OTHER SUPPLEMENTAL INFORMATION

(I) Non-recurring gain or loss

1. *Breakdown of non-recurring gain or loss*

(1) Breakdown

Items	Amount	Description
Gain or loss on disposal of non-current assets, inclusive of write-off of impairment provision for assets	-499,628.89	
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	586,831.66	
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	-67,980,081.56	
Reversal of impairment provisions for receivables subject to individual impairment test	1,172.00	
Other non-operating income and expenses apart from those stated above	1,428,897.79	
Sub-total	-66,462,809.00	
Less: Effect on enterprise income tax ("–"for income tax decrease)	-9,437,059.74	
Effect on interest of minority shareholders (after tax)	-5,978.23	
Items of non-recurring gains or losses attributable to owners of the parent	-57,019,771.03	

XVI. OTHER SUPPLEMENTAL INFORMATION *(Continued)*

(I) Non-recurring gain or loss *(Continued)*

1. *Breakdown of non-recurring gain or loss* (Continued)

(2) Description of major non-recurring profit and loss items

The Company incurred gains and losses from changes in fair value arising from the holding of financial assets and gains and losses arising from disposal of financial assets during the period, which amounted to RMB-67,980,081.56, including gains and losses from changes in fair value arising from shares of Hong Kong listed companies held by the Company of RMB-59,643,427.68 during the period, investment gains of dividends recognised from shares of RMB313,950.25 during the period, investment gains from disposal of financial assets held for trading of RMB-8,463,056.26 and investment gains from procedural fees for purchase of financial assets held for trading of RMB-187,547.87.

(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	-2.09	-0.06	-0.06
Net profit after deducting non-recurring profit or loss attributable to the ordinary shareholders of the Company	0.26	0.01	0.01

Notes to the Financial Statements *(Continued)*
2024

XVI. OTHER SUPPLEMENTAL INFORMATION *(Continued)*

(II) Return on net assets and earnings per share *(Continued)*

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	**-50,828,456.99**
Non-recurring profit or loss	B	**-57,019,771.03**
Net profits after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	C=A-B	**6,191,314.04**
Net assets at the beginning of the period attributable to ordinary shareholders of the Company	D	**2,465,759,398.21**
Net assets attributable to ordinary shareholders of the Company due to reductions in cash dividends	E	**8,999,948.00**
Cumulative months from the month after decrease in net assets to end of reporting period	F	**7.00**
Others		
Decrease in net assets attributable to ordinary shareholders of the Company due to repurchases of treasury stock	G1	**4,639,328.24**
Cumulative months from the month after decrease in net assets to end of reporting period	H1	**5.00**
Decrease in net assets attributable to ordinary shareholders of the Company due to repurchases of treasury stock	G2	**20,238,867.95**
Cumulative months from the month after decrease in net assets to end of reporting period	H2	**4.00**
Increase of net assets in capital reserve resulting from the increase in other interests in associates	G3	**395,265.41**
Cumulative months from the next month following the impact to net assets to the end of the Reporting Period	H3	**6.00**
Number of months during the reporting period	I	**12.00**
Weighted average net assets	L= D+A/2 – E× F/I-G×H/I	**2,426,613,490.01**
Weighted average return on net assets ratio	M=A/L	**-2.09%**
Weighted average return on net assets ratio, after deduction of non-recurring profit or loss	N=C/L	**0.26%**

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	**-50,828,456.99**
Non-recurring profit or loss	B	**-57,019,771.03**
Net profits after deducting non-recurring profit or loss attributable to the ordinary shareholders of the Company	C=A-B	**6,191,314.04**
Total number of shares at beginning of the period	D	**897,840,000.00**
Decrease in number of shares due to repurchase	E1	**1,742,000.00**
Cumulative months from the month after decrease in shares to end of reporting period	F1	**5.00**
Decrease in number of shares due to repurchase	E2	**7,490,000.00**
Cumulative months from the month after decrease in shares to end of reporting period	F2	**4.00**
Number of months in the reporting period	G	**12**
Weighted average number of outstanding ordinary shares	L=D-E*F/G	**894,617,500**
Basic earnings per share	M=A/L	**-0.06**
Basic earnings per share after deducting non-recurring profit or loss	N=C/L	**0.01**

(2) Calculations of diluted earnings per share are the same as the calculations of basic earnings per share.

Hebei Yichen Industrial Group Corporation Limited
17 April 2025

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)

"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 coast 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 *(Continued)*

"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

"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 *(Continued)*

"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.