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中国铁建

CRCC High-Tech Equipment Corporation Limited

中國鐵建高新裝備股份有限公司

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

(Stock Code: 1786)

**ANNOUNCEMENT OF ANNUAL RESULTS FOR
THE YEAR ENDED 31 DECEMBER 2025**

The Board of Directors of the Company is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2025. This announcement complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results. The Company's 2025 annual report will be published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and of the Company at www.crcce.com.cn on or before 30 April 2026.

FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME HIGHLIGHTS

	Year ended 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	3,436,856	3,119,621	3,099,977	2,821,918	2,185,946
Gross profit	599,525	596,159	425,824	632,809	522,088
Profit before tax	150,850	140,512	137,088	123,666	44,545
Profit for the year	144,069	128,849	145,142	115,672	50,376
Profit attributable to:					
Owners of the parent	143,894	128,206	145,035	115,635	50,376
Non-controlling interests	175	64	107	36	–
Basic earnings per share (RMB/share)	0.09	0.08	0.10	0.08	0.03

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION HIGHLIGHTS

	As at 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Total assets	9,352,863	9,150,875	9,058,899	8,577,794	8,273,340
Total liabilities	3,144,041	3,076,604	3,182,554	2,658,751	2,391,821
Net assets	6,208,822	6,074,271	5,876,345	5,919,042	5,881,520
Equity attributable to owners of the parent	6,173,560	6,039,185	5,861,202	5,904,005	5,881,520

Note: Pursuant to the “Interpretation No. 18 of the Accounting Standards for Business Enterprises” (Cai Kuai [2024] No. 24, Interpretation No. 18) (《企業會計準則解釋第18號》(財會[2024]24號,解釋第18號)) issued by the Ministry of Finance of China on 31 December 2024, the Company has retrospectively adjusted its operating costs and selling expenses for 2021 to 2023. The gross profit has been adjusted due to the retrospective adjustment of operating costs.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I hereby present to you the 2025 annual report of the Company and extend my heartfelt gratitude to all Shareholders, all employees, valued customers and individuals from various sectors of society who have long cared for and supported the development of the Company.

The year 2025 marks the conclusion of the "14th Five-Year Plan" period and also the final year of the reform enhancement initiatives. In the face of a complex and challenging market environment, the Company remained steadfast in its pursuit of high-quality development goals, confronted difficulties head-on and actively responded to various challenges. Leveraging the railway market, urban rail market and overseas market, the Company advanced its regionalized business model and focused on core responsibilities and main business while actively expanding into relevant diverse sectors, achieving steady progress in operational quality and efficiency. In 2025, the Company achieved a year-on-year revenue increase of 10.17%, and net profit attributable to the parent increased by 12.24% year-on-year.

In 2025, the Company enhanced the quality and efficiency of innovation transformation through key breakthroughs. By focusing on incubating key products, tackling core technological challenges and empowering product upgrades, it enhanced innovation effectiveness and achieved a precise alignment between innovation outcomes and market demands, laying a solid foundation for consolidating its core market position.

In 2025, the Company seized the opportunity presented by the conclusion of its reform enhancement initiatives to advance reforms and optimize mechanisms, and stimulated momentum and vitality through transformation to continuously improve the effectiveness of corporate governance.

The year 2026 marks the beginning of the "15th Five-Year Plan" period. The Company will adhere to the principle of pursuing progress while ensuring stability, focus on improving quality and efficiency, and center on enhancing core functions and strengthening core competitiveness. With high-quality development as the main theme, reform and innovation as the driving force, and full and rigorous Party self-governance as the fundamental guarantee, the Company will strive to achieve new results in operational quality, make new progress in self-reliance and self-strengthening in science and technology, secure new breakthroughs in comprehensively deepening reform, and work diligently to build a world-class modern enterprise, thereby ensuring a strong start and solid foundation for the "15th Five-Year Plan" period.

Tong Pujiang

Chairman

Kunming, Yunnan, the PRC
27 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

	Year ended 31 December	
	2025 (RMB million)	2024 (RMB million)
Sales of machinery	776.36	1,031.85
Sales of parts and components	1,083.26	897.05
Maintenance of railway track maintenance machinery	1,212.33	886.51
Railway line maintenance services	211.43	171.28
Mechanical design services	126.74	110.28
Revenue from other business	26.74	22.65
Total revenue	3,436.86	3,119.62

In 2025, the Group leveraged its principal business of large railway track maintenance machinery, deeply cultivated the railway market through high-level marketing and regional coordination, securing market share with high-quality products and services. Concurrently, it expanded into areas such as maintenance construction and intelligent operation and maintenance. Leveraging a regional presence-based operating model, the Group established a multi-polar growth pattern, achieving breakthroughs in both operating performance and industrial development, with annual operating revenue hitting RMB3,436.86 million, representing a year-on-year increase of 10.17%.

The Group continued to deepen collaborative partnerships, actively expanded markets and responded closely to customer demand, with technological innovation serving as a powerful driving force. In 2025, the Group's revenue from sales of machinery amounted to RMB776.36 million, representing a decrease of RMB255.49 million or 24.76% as compared with the corresponding period last year, which was mainly attributable to the fact that certain products procured through centralized procurement by China Railway and overseas projects were still in the production and manufacturing stage and had not yet been delivered.

The Group further expanded its presence in the market of China Railway, with sales of parts and components through the China Railway Mall maintaining steady growth. In 2025, the Group's revenue from sales of parts and components increased by RMB186.21 million, or 20.76%, as compared with the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group focused on enhancing its repair and value-added service capabilities, and achieved another record high in the contract size of maintenance of railway track maintenance machinery. In 2025, the contract size of maintenance of railway track maintenance machinery increased by RMB325.82 million, or 36.75%, as compared with the corresponding period last year.

The Group accelerated the cultivation of strategic emerging industries and achieved new breakthroughs in its railway business cooperation with China Energy. Through a “dual-engine” approach, the Group made progress in multiple areas such as high-speed railway repair and maintenance and intelligent operation and maintenance, successfully establishing a new industrial development landscape. In 2025, the Group’s revenue from railway line maintenance services increased by RMB40.16 million, or 23.45%, as compared with the corresponding period last year.

The Company deepened the management of its design segment and strengthened business sharing and synergy, resulting in an increase in revenue from mechanical design services by RMB16.46 million or 14.92% in 2025 from the corresponding period last year.

COST OF SALES

In 2025, the Group’s cost of sales amounted to RMB2,837.33 million, representing an increase of RMB313.87 million or 12.44% as compared with RMB2,523.46 million for the corresponding period last year. The increase was mainly attributable to a combination of changes in the revenue structure during the period and increased business volumes across all segments.

GROSS PROFIT

In 2025, the total gross profit of the Group was RMB599.53 million, representing an increase of RMB3.37 million or 0.57% as compared with RMB596.16 million for the corresponding period last year. In 2025, the gross profit margin of the Group was 17.44%, representing a decrease of 1.67 percentage points as compared with 19.11% for the corresponding period last year. The decrease in gross profit margin for the period was primarily due to changes in business structure.

OTHER GAINS

In 2025, the Group’s other gains were RMB21.66 million, representing a decrease of RMB22.23 million or 50.65% as compared with RMB43.89 million for the corresponding period last year, primarily due to the decrease in the entitlement under the value-added tax incentive policies for advanced manufacturers and government grants for the period.

MANAGEMENT DISCUSSION AND ANALYSIS

SELLING EXPENSES

In 2025, the Group's selling expenses were RMB109.79 million, representing a decrease of RMB9.43 million or 7.91% as compared with RMB119.22 million for the corresponding period last year, primarily due to the Group's enhanced internal management and its extensive efforts to reduce costs and improve efficiency.

ADMINISTRATIVE EXPENSES

In 2025, the Group's administrative expenses were RMB137.69 million, representing a decrease of RMB33.33 million or 19.49% as compared with RMB171.02 million for the corresponding period last year, which was mainly attributable to the Group's enhanced internal management and its extensive efforts to reduce costs and improve efficiency.

RESEARCH AND DEVELOPMENT EXPENSES

In 2025, the Group's research and development expenses were RMB212.18 million, representing a decrease of RMB25.77 million or 10.83% as compared with RMB237.95 million for the corresponding period last year. The decrease was mainly attributable to the combined effect of (i) the reassignment of some research and development personnel to on-site technical roles following the joint establishment of site technical teams by our research and development functions and production functions, resulting in reduced staff remuneration for research and development personnel from such reassignment, and (ii) lower material expenses aligned with the actual trial production progress of the Company's projects under development.

FINANCIAL GAINS

In 2025, the Group's financial gains were RMB14.34 million, representing a decrease of RMB16.75 million or 53.88% as compared with RMB31.09 million for the corresponding period last year, primarily due to a decrease in net foreign exchange gains as a result of fluctuations in exchange rate of US dollars during the year.

IMPAIRMENT LOSSES

In 2025, the Group recorded impairment losses of RMB12.36 million, primarily attributable to the increase in expected credit impairment losses arising from increase in trade receivables and longer collection cycle for the period.

MANAGEMENT DISCUSSION AND ANALYSIS

NET OTHER BUSINESS EXPENSES

The Group's net other business expenses decreased by RMB1.29 million from RMB2.45 million in 2024 to RMB1.16 million in 2025.

PROFIT BEFORE TAX

In 2025, the Group's profit before tax was RMB150.85 million, representing an increase of RMB10.34 million or 7.36% as compared with RMB140.51 million for the corresponding period last year, which was the combined effects of the increase in sales volume following the Group's market development efforts, internal management improvement and earnest implementation of the cost reduction and efficiency enhancement initiatives.

INCOME TAX EXPENSE

In 2025, the Group's income tax expense was RMB6.78 million, representing a decrease of RMB4.88 million from RMB11.66 million for the corresponding period last year. The decrease in income tax expense was mainly attributable to tax adjustments made in accordance with the relevant tax regulations and changes in deductible temporary differences for corporate income tax.

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

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

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

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

In 2025, the profit attributable to owners of the Group reached RMB143.89 million, representing an increase of RMB15.68 million or 12.24%, from RMB128.21 million for the corresponding period last year. The increase in the profit attributable to owners of the Group was mainly due to the combined effects of the Group's enhanced marketing efforts and cost reduction and efficiency improvement measures.

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

In 2025, the profit attributable to non-controlling interests was RMB0.18 million, representing a decrease of RMB0.46 million from the corresponding period last year. In 2022, the Group and Zhengzhou Railway Equipment Manufacturing Co., Ltd. (鄭州鐵路裝備製造有限公司) jointly established Zhengzhou CRCC Equipment Technology Co., Ltd. (鄭州鐵建裝備科技有限公司), and Zhengzhou Railway Equipment Manufacturing Co., Ltd., as a non-controlling interest holder, was entitled to its share of profit in Zhengzhou CRCC Equipment Technology Co., Ltd.

BASIC EARNINGS PER SHARE

Basic earnings per share increased from RMB0.08 as of 31 December 2024 to RMB0.09 as of 31 December 2025.

LIQUIDITY AND SOURCE OF CAPITAL

Cash flows and working capital

The Group's needs for working capital were mainly satisfied by cash generated from operations. As at 31 December 2025, the closing balance of the Group's cash and cash equivalents amounted to RMB1,518.80 million and the net increase in cash and cash equivalents was RMB371.75 million, primarily attributable to the increase in net cash received upon maturity of time deposits in 2025.

Net cash inflow from operating activities

For the year ended 31 December 2025, the Group's net cash flow from operating activities was RMB41.51 million, representing a decrease in inflow of RMB241.67 million as compared with the net cash flow of RMB283.18 million for the corresponding period last year, primarily due to a decrease in the proportion of cash receipts from sales during the current period.

Net cash inflow from investing activities

For the year ended 31 December 2025, the Group's net cash flow from investing activities was RMB374.41 million. The cash inflow from investing activities was mainly due to the increase in net cash received upon maturity of time deposits in 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash outflow from financing activities

For the year ended 31 December 2025, the Group had no cash flow from financing activities.

Liquidity

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

COMMITMENTS

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

Capital commitments

	31 December 2025 (RMB million)	31 December 2024 (RMB million)
Contracted but not provided for	9.36	2.95

INDEBTEDNESS

The Group had no interest-bearing debts as at 31 December 2025.

PLEDGE

The Group had no pledge as at 31 December 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

The Group monitors capital management by using the gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes bank borrowings and other borrowings, trade and bills payables, financial liabilities included in other payables and accruals less cash and cash equivalents and pledged deposits. Capital includes equity attributable to owners of the Company. The Group's gearing ratio was 19.07% as at 31 December 2024 and 13.48% as at 31 December 2025.

CONTINGENT LIABILITIES

The Group had no material contingent liability as at 31 December 2025.

MARKET RISKS

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

FOREIGN EXCHANGE RISKS

The majority of the Group's businesses are located in the PRC and most of the transactions are settled in RMB, with certain sales, procurement and German subsidiaries settled in foreign currencies including Euro and CHF. The fluctuation in exchange rates of these foreign currencies against RMB would have an impact on the operating results of the Group. As at 31 December 2025, the Group did not enter into any hedging transactions for the purpose of mitigating its foreign exchange risks.

POLICY RISKS

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

MANAGEMENT DISCUSSION AND ANALYSIS

PENSION SCHEME

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

During the year ended 31 December 2025, the Group did not have the right to utilize the forfeited contributions to the above social insurance and provident fund schemes to reduce the existing level of contributions, and therefore no contribution was utilized. The Group did not have any defined benefit plan for the year ended 31 December 2025.

CHANGES IN AUDITOR

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

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

DIRECTORS AND SENIOR MANAGEMENT

1. **Tong Pujiang (童普江)**, aged 48, has been an executive Director and chairman of the Board of the Company since May 2024. He graduated from Southwest Jiaotong University in July 1999, majoring in machinery engineering and automation, and graduated from the Party School of the CPC Central Committee in June 2014 with a master's degree in economic management. He is a senior engineer who has 26 years of experience in manufacturing and repair of railway large track maintenance machinery. From January 2010 to January 2015, he successively served as director of the office, assistant to general manager, head of human resources department, and manager of the general manufacturing factory of the Company. He successively served as deputy general manager and general manager of the Company from January 2015 to April 2022. He was an executive Director of the Company from September 2017 to September 2023. He served as a non-executive Director of the Company from September 2023 to May 2024, and a director and general manager of CRCHI from September 2023 to April 2024.
2. **Xiang Daqiang (向大強)**, aged 51, has been an executive Director of the Company since June 2024 and the general manager of the Company since May 2024. He graduated from China University of Geosciences with a master's degree in engineering majoring in architecture and civil engineering in July 2010 and he is a professor-level senior engineer. He successively served as the head of the operation and development department, deputy general manager and general manager of China Railway 16th Bureau Group 4th Engineering Co., Ltd. from August 2003 to January 2015; and successively served as the deputy general manager, general manager and a director of China Railway 16th Bureau Group Co., Ltd. from January 2015 to May 2023. From May 2023 to March 2024, he served as an external director of China Railway 16th Bureau Group Co., Ltd.; and from June 2023 to May 2024, he served as an external director of each of China Civil Engineering Construction Corporation, China Railway 11th Bureau Group Co., Ltd., China Railway 23rd Bureau Group Co., Ltd. and China Railway Materials Group Co., Ltd.
3. **Chen Yongxiang (陳永祥)**, aged 59, has been an executive Director of the Company since June 2017 and the deputy general manager of the Company since December 2024. He obtained a master's degree in international economic and trade relations jointly set up by Nankai University and Flinders University, Australia in June 2013. He is an engineer who has 36 years of experience in manufacturing and repair of railway track maintenance machinery. From November 1998 to January 2010, he successively served as the deputy director at the production preparation workshop, manager at the metal materials processing company, and manager at the machining company of the Company. From January 2010 to April 2021, he successively served as a deputy general manager and an executive Director of the Company.

DIRECTORS AND SENIOR MANAGEMENT

4. **Lyu Jing (呂晶)**, aged 57, has been a non-executive Director of the Company since August 2024. He graduated from Southwest Jiaotong University (西南交通大學) majoring in bridge engineering in July 1990 and obtained a master's degree in project management engineering from Southwest Jiaotong University in June 2012, and is a professor level senior engineer. From February 2013 to August 2014, he served as the deputy general manager of China Civil Engineering Construction Corporation (中國土木工程集團有限公司); from August 2014 to July 2015, he served as the deputy general manager of CRCC China-Africa Construction Limited (中鐵建中非建設有限公司); from July 2015 to October 2021, he served as the deputy general manager of China Civil Engineering Construction Corporation; from October 2021 to April 2024, he served as the general manager of CRCC International Investment Co., Ltd. (中鐵建國際投資有限公司); from November 2021 to August 2023, he concurrently served as the chairman of Spanish Aldesa Group (西班牙阿爾德薩集團公司); from April 2024 to present, he has been serving as an external director of the second-tier company of China Railway Construction Corporation Limited (中國鐵建股份有限公司); from June 2024 to present, he has been serving as an external director of China Railway 14th Bureau Group Co., Ltd. (中鐵十四局集團有限公司).
5. **Xie Huagang (謝華剛)**, aged 56, has been a non-executive Director of the Company since June 2024. He successively graduated from Renmin University of China and Beijing Normal University with a master's degree and is a senior economist. He successively served as the secretary of the office of CPC committee and deputy director of the research division of CRCCG, deputy director of the strategic planning division of the office of the board of directors of CRCCG, and director of the equity representative management division of the secretariat of the board of directors of China Railway Construction Corporation Limited. From December 2015 to April 2024, he served as the securities affairs representative of the office of the board of directors of China Railway Construction Corporation Limited; from December 2021 to February 2024, he served as the securities affairs representative of the office of the board of directors of China Railway Construction Corporation Limited and an external director of each of China Railway Construction Investment Group Co., Ltd. and China Railway 23rd Bureau Group Co., Ltd.; and from April 2025 to present, he has been serving as a director of China Railway Construction Heavy Industry Corporation Limited.
6. **Wu Yuntian (吳雲天)**, aged 67, has been an independent non-executive Director of the Company since October 2022. From 1983 to 2003, he successively served as a trainee, assistant engineer, engineer and director of the department of engineering of Shenyang Railway Bureau. He successively served as the assistant to the director of the safety supervision department from 2003 to 2004, and deputy director of the basic department of the transport command center (transport bureau) of the Ministry of Railways from 2004 to 2007. He also successively served as the deputy director, director and senior engineer of Lanzhou Railway Bureau from 2007 to 2014, and the general manager, chairman of the board of directors and senior engineer of China Railway Container Transportation Co., Ltd. from 2014 to 2019. He has been an independent director of CRCHI since February 2023.

DIRECTORS AND SENIOR MANAGEMENT

7. **Na Pengjie (納鵬傑)**, aged 61, has been an independent non-executive Director of the Company since October 2022. He holds a doctorate degree and is a professor and doctoral supervisor of Yunnan University of Finance and Economics. From 2000 to 2014, he successively served as the deputy director of the Investment Research Institute of Yunnan Institute of Finance and Trade, the director of the Investment Research Institute, the dean of the MBA Education School and the secretary of the party committee of the Business School of Yunnan University of Finance and Economics, and a director of Yunnan Baiyao Group Co., Ltd. He currently serves as an independent director of Yunnan Copper Co., Ltd. and an independent director of Haidiying Deepwater Technology Co., Ltd.
8. **Chu Ching (朱晴)**, aged 50, has been an independent non-executive Director of the Company since October 2022. She holds a master's degree in business administration and is a chartered financial analyst (CFA). From 2002 to 2019, she successively served as an analyst in technology and chip industries in the securities research department of J.P. Morgan, a director of Asia data management in the securities research department of Citibank, and a senior manager of data management in the research department of Fidelity International. She has been the research director of eFusion Capital since 2019.
9. **Mo Bin (莫斌)**, aged 56, served as an executive Director of the Company from November 2023 to December 2025 and has been an employee Director of the Company since December 2025. He graduated from Southwest Jiaotong University with a bachelor's degree majoring in welding technology and equipment in July 1992, and is a senior engineer. From August 2001 to January 2010, he successively served as factory secretary, secretary of the Board and office director of the Company; from January 2010 to July 2017, he served as secretary of committee for discipline inspection of the Company and chairman of supervisory committee; from April 2018 to December 2018, he served as the deputy inspector and head of union work department of CRCHI; and from December 2018 to August 2023, he served as a deputy general manager of the Company. He has been the president of the labour union of the Company since August 2023.
10. **Qin Xuehe (秦學合)**, aged 50, has been the chief accountant of the Company since July 2025. Mr. Qin graduated from Kunming Railway Machinery School in July 1993, majoring in railway finance and accounting. He is a professor-level senior accountant. From March 2016 to November 2016, he served as deputy general manager and chief financial officer of Chongqing Tiefa Suiyu Expressway Co., Ltd. From November 2016 to May 2019, he successively served as director, deputy general manager and chief accountant of China Railway Construction Chongqing Investment Group Co., Ltd. From May 2019 to April 2021, he served as director, deputy general manager and chief accountant of China Railway Construction Chongqing Regional Headquarters. From April 2021 to March 2023, he served as deputy general manager and chief accountant of China Railway Construction Southwest Regional Headquarters. From March 2023 to July 2025, he served as deputy general manager and chief accountant of China Railway Construction Kunlun Investment Group.

DIRECTORS AND SENIOR MANAGEMENT

11. **Zhou Huipeng (周慧鹏)**, aged 54, has been the deputy general manager and chief engineer of the Company since December 2024. He graduated from Yunnan University of Finance and Economics in December 2014 with a master's degree in business administration, and is a senior engineer. Mr. Zhou has 29 years of experience in the field of railway maintenance machinery manufacturing and repair. From March 2008 to April 2021, he successively served as deputy director of the marketing department, deputy general manager of Beijing Marketing Branch, deputy general manager and general manager of the marketing company, head of the strategic investment department, head of safety and environmental protection department, director of lean promotion office and head of asset management department of the Company. He was the deputy general manager of the Company from April 2021 to November 2023, the general manager of the Company from November 2023 to May 2024, and an executive Director of the Company from November 2023 to July 2024.
12. **Li Guo (李果)**, aged 43, has been a deputy general manager of the Company since April 2021. He graduated from Kunming University of Science and Technology in April 2010 with a master's degree in machinery manufacturing and automation, and is a senior engineer. Mr. Li has 15 years of experience in the field of railway maintenance machinery manufacturing and repair. From July 2010 to April 2021, he successively served as assistant engineer of Beijing Marketing Branch of the Company, deputy general manager of the marketing company, deputy general manager of the No. 1 operation branch, and general manager of the No. 1 operation branch of the Company.

DIRECTORS AND SENIOR MANAGEMENT

13. **Yang Zhuo (楊琢)**, aged 42, has been the deputy general manager of the Company since November 2023. He graduated from Central South University with a bachelor's degree of automation in June 2006, and has 19 years of experience in the field of railway maintenance machinery manufacturing and repair. From March 2013 to April 2022, he successively served as the director of technical office and factory director of the general assembly sub-factory, deputy general manager and general manager of the technological service company, member of the Party general branch of operational services, general manager and deputy secretary of the Communist Party Committee of the general manufacturing factory of the Company. He has been the general manager of the general manufacturing factory, deputy secretary of the Communist Party Committee and general manager of the technological service company of the Company from April 2022 to November 2023.
14. **Li Wanqing (李萬清)**, aged 55, has been the secretary of the Board and the director of the Board office since November 2023. He is a senior engineer. He has served as the head of Party Committee cadre department (human resources department) of the Company since January 2025. He obtained a master's degree in international economic and trade relations jointly set up by Nankai University and Flinders University, Australia in September 2016, and has 32 years of experience in the field of railway maintenance machinery manufacturing and repair. From January 2009 to October 2022, he successively served as the deputy director and director of technological transformation office, head of development planning department, deputy chief economist, office director of the Board, director of equipment management platform and director of test center of the research and design institute, deputy head of strategic investment department, head of equipment department and director of test center of the research and design institute, vice president of the research and design institute and president of the research institute for simulation and engineering testing of the Company. From October 2022 to November 2023, he successively served as a researcher of special grade, general manager of asset management department, deputy director of large railway track maintenance machinery research and development center, president of the research institute for simulation and engineering testing and senior engineer of the Company.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company contained in the annual report for the year ended 31 December 2025 (the “Year”). During the reporting period, the Company remains committed to maintaining compliant operation, constantly improving its corporate governance system, and continuously implementing comprehensive risk management and internal control, with a view to improving its management efficiency and corporate governance.

I. OVERVIEW OF CORPORATE GOVERNANCE

The Board has reviewed documents related to corporate governance and is of the view that the requirements of such documents comply with the code provisions set out in the CG Code of the Stock Exchange. For the year ended 31 December 2025, the Company has fully complied with the code provisions of Part 2 of the CG Code.

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

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

CORPORATE GOVERNANCE REPORT

II. CORPORATE CULTURE

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

CORPORATE GOVERNANCE REPORT

III. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

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

IV. BOARD OF DIRECTORS

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

CORPORATE GOVERNANCE REPORT

1. Composition of the Board

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

As at the date of this report, the Board consisted of nine Directors, including eight non-employee Directors and one employee Director. As nominated by the Nomination Committee, and considered and approved at the twenty-third meeting of the third session of the Board and the 2025 second extraordinary general meeting of the Company, Mr. Tong Pujiang, Mr. Xiang Daqiang and Mr. Chen Yongxiang have been elected as executive Directors of the fourth session of the Board, Mr. Lyu Jing and Mr. Xie Huagang have been elected as non-executive Directors of the fourth session of the Board, and Mr. Wu Yuntian, Mr. Na Pengjie and Ms. Chu Ching have been elected as independent non-executive Directors of the fourth session of the Board. Meanwhile, Mr. Mo Bin has been elected as an employee Director of the fourth session of the Board at the employee representative meeting of the Company. As considered and approved at the first meeting of the fourth session of the Board, Mr. Tong Pujiang has been elected as chairman of the fourth session of the Board.

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

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

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

CORPORATE GOVERNANCE REPORT

The Company believes that Board independence is crucial for good corporate governance and Board effectiveness. The Board has established a mechanism to ensure that independent views of any Director are communicated to the Board to enhance objectivity and effectiveness of decision-making. With strong independent elements in the Board, the Board independently and objectively monitors strategic and performance-related issues. Currently, independent non-executive Directors of the Board account for one-third of the Board members. The audit and risk management committee (the “**Audit and Risk Management Committee**”) is chaired by an independent non-executive Director. Based on the Board independence assessment mechanism, the Board will conduct an annual review of its independence. During the year ended 31 December 2025, the Board reviewed the implementation and effectiveness of the Board independent assessment mechanism and the review showed that the implementation and effectiveness of the mechanism were satisfactory.

2. Meetings of the Board and Directors’ attendance record

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

Name	Title	Board meetings	General meetings
Tong Pujiang	Chairman and executive Director	6/6	3/3
Xiang Daqiang	Executive Director	6/6	3/3
Chen Yongxiang	Executive Director	6/6	3/3
Lyu Jing	Non-executive Director	6/6	3/3
Xie Huagang	Non-executive Director	6/6	3/3
Wu Yuntian	Independent non-executive Director	6/6	3/3
Na Pengjie	Independent non-executive Director	6/6	3/3
Chu Ching	Independent non-executive Director	6/6	3/3
Mo Bin	Employee Director	6/6	3/3

Note: Mr. Mo Bin was an executive Director of the third session of the Board and has been elected as an employee Director of the fourth session of the Board at the employee representative meeting of the Company on 4 December 2025.

CORPORATE GOVERNANCE REPORT

3. Continuous training and development schemes for Directors

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

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

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

Major trainings provided for the Directors in 2025 are as follows:

Name	Training 1	Training 2
Executive Directors		
Tong Pujiang	✓	✓
Xiang Daqiang	✓	✓
Chen Yongxiang	✓	✓
Non-executive Directors		
Lyu Jing	✓	✓
Xie Huagang	✓	✓
Independent non-executive Directors		
Wu Yuntian	✓	✓
Na Pengjie	✓	✓
Chu Ching	✓	✓
Employee Director		
Mo Bin	✓	✓

Note: Training 1 involves the latest changes in China's laws and regulations and the interpretation of the latest listing rules of the Stock Exchange; and Training 2 involves training for performance of duties of Directors.

CORPORATE GOVERNANCE REPORT

4. Operation of the Board

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

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

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

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

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

- (I) to convene general meetings and report its work to the general meetings;
- (II) to implement the resolutions of the general meetings;
- (III) to decide on the Company's business plans and investment plans;
- (IV) to formulate the Company's profit distribution plan and the plan for making up losses;
- (V) to formulate proposals for the increase or reduction of the Company's registered capital and the issuance of debentures or other securities and the listing project of the Company;
- (VI) to formulate plans for major acquisition, purchase of the shares of the Company or the merger, division, dissolution and change of the nature of incorporation of the Company;

CORPORATE GOVERNANCE REPORT

- (VII) to decide on such matters as the Company's investments in third parties, purchase and sale of assets, asset mortgages, the provision of security for third parties, entrustment of financial services, connected transactions, external donation, etc., to the extent authorized by the general meeting;
- (VIII) to determine on the establishment of the Company's internal management structure;
- (IX) to engage or dismiss the Company's General Manager, Secretary to the Board and other senior officers, and decide on matters of their remuneration, rewards and punishments; to decide to engage or dismiss such senior management members as Deputy General Manager, financial controller and etc, as proposed by the General Manager, and deciding on matters relating to their remuneration, rewards and punishments;
- (X) to formulate the basic management systems of the Company;
- (XI) to formulate proposals for amendments to the Articles;
- (XII) to manage the information disclosure of the Company;
- (XIII) to propose to the general meeting the appointment or replacement of an accounting firm that conducts audit for the Company;
- (XIV) to listen to the work reports of the Company's general manager and inspect his or her work;
- (XV) to exercise other functions and powers conferred by the laws, administrative regulations, departmental rules and the Listing Rules, at general meetings and the Articles.

CORPORATE GOVERNANCE REPORT

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

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

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

5. Special committees of the Board

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

CORPORATE GOVERNANCE REPORT

a. Strategy and ESG Committee

The twentieth meeting of the third session of the Board of the Company was held on 30 July 2025, at which the resolution of the Board in relation to renaming of the former strategy and investment committee as the Strategy and ESG Committee and the adjustment of its responsibilities was considered and approved and became effective on the same day. The composition and membership of the committee shall remain unchanged.

The Strategy and ESG Committee of the Company was established in June 2015. It currently consists of five Directors, including one executive Director, two non-executive Directors and two independent non-executive Directors. Due to the change of the session of the Board, Mr. Tong Pujiang was appointed as the chairman of the Strategy and ESG Committee as considered and approved at the first meeting of the fourth session of the Board. The other members of the committee are Mr. Lyu Jing and Mr. Xie Huagang as non-executive Directors and Mr. Wu Yuntian and Mr. Na Pengjie as independent non-executive Directors. The Strategy and ESG Committee is primarily responsible for analyzing and proposing suggestions on the Company's development strategy planning and significant investment decisions, planning and decision-making of ESG matters, which include, among other things:

- timely assess the Company's development strategy, supervise the formulation and review of development strategies and medium- to long-term development plans of the Company, and provide recommendations;
- study and advise on major investment, financing and guarantee proposals that require approval by the Board of Directors;
- study and advise on major capital operations and asset management projects that require approval by the Board of Directors;
- study and advise on proposals involving the Company's reorganization, mergers and acquisitions, transfer of equity interests held by the Company, restructuring and organizational adjustments that require approval by the Board of Directors;
- study laws, regulations and policies in the ESG field, and advise on the Company's sustainable development and ESG management;
- identify and supervise ESG-related risks and opportunities that have significant impact on the Company's business, and supervise the formulation of strategic plans, systems and implementation rules for ESG management of the Company.

CORPORATE GOVERNANCE REPORT

In 2025, the Strategy and ESG Committee held two meetings to mainly consider the following issues:

Session of the Strategy and ESG Committee's meetings	Date	Major issues considered
The first meeting of the Strategy and ESG Committee of the third session of the Board of Directors for 2025	27 March 2025	(I) To consider the Resolution on 2025 Bank Credit Facilities of the Company;
		(II) To consider the Resolution on Production and Operating Plan of the Company for 2025;
		(III) To consider the Resolution on Annual Investment Plans of the Company for 2025;
		(IV) To consider the Resolution on the Performance Report of the Strategy and ESG Committee of the Company for 2024.
The second meeting of the Strategy and ESG Committee of the third session of the Board of Directors for 2025	29 September 2025	(I) To consider the Resolution on Amendments to the Administrative Measures for Development Planning of the Company;
		(II) To consider the Resolution on the Summary and Evaluation Report of the Company during the "14th Five-Year Plan" Period.

CORPORATE GOVERNANCE REPORT

Attendance of each member at the meetings is as follows:

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

Note: Mr. Tong Pujiang, Mr. Lyu Jing, Mr. Xie Huagang, Mr. Wu Yuntian and Mr. Na Pengjie have been appointed as the members of the Strategy and ESG Committee of the fourth session of the Board of the Company on 4 December 2025. Mr. Tong Pujiang has been appointed as the chairman of the Strategy and ESG Committee of the fourth session of the Board of the Company on 4 December 2025.

b. Audit and Risk Management Committee

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

The Audit and Risk Management Committee of the Company is primarily responsible for making recommendations on the appointment and change of the external auditors of the Company; the supervision of the internal audit system of the Company; the coordination, supervision and inspection of internal and external audits of the Company; the review of financial information and disclosure thereof; the inspection of risk management and internal control systems; the formulation of the Company's risk management strategies and solutions, and the risk control, management, supervision and review of major decision-makings, major events and important business procedures, which include, among other things:

- provide recommendations to the Board on the engagement, renewal of the engagement or dismissal of an external audit firm, to approve the remuneration and engagement terms of the external audit firm, and to deal with any issues relating to the resignation or the dismissal of the external audit firm;

CORPORATE GOVERNANCE REPORT

- examine the Company's financial monitoring, risk management and internal control systems;
- serve as the key representative body for overseeing the Company's relations with the external audit firm;
- examine and monitor the completeness of the Company's financial statements, annual reports, interim reports and quarterly reports (if any), and to review the major opinions on financial reporting contained in the statements and reports;
- discuss the risk management and internal control systems with the management in order to ensure that the management has performed its duty of establishing effective systems; this discussion shall include the adequacy of the resources, staff qualifications and experience of the Company's accounting and financial reporting function, and whether the training programmes provided to the employees and the related budget are adequate; to oversee the effective implementation and self-evaluation of internal control and coordinate with the internal control audit as well as other related matters;
- review arrangements staff of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters; the Committee should ensure that proper arrangements are in place for fair and independent investigations of these matters and for appropriate follow-up actions;
- be responsible for the liaison between the internal audit department and the external audit firm, so as to ensure coordination of their work; to ensure that the internal audit department has sufficient resources for its operations and ensure that the internal audit department has the appropriate position in the Company; and to examine and monitor whether the internal audit is effective.

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

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

CORPORATE GOVERNANCE REPORT

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

During the reporting period, the Audit and Risk Management Committee reviewed 2024 annual results announcement and annual report, 2025 interim results announcement and interim report, auditing planning of external auditor, and the auditors' report for 2024 and the 2025 interim review report prepared by Grant Thornton.

In 2025, the Audit and Risk Management Committee held four meetings, to mainly consider the following issues:

Session of the Audit and Risk Management Committee's meetings

	Date	Major issues considered
The first meeting of the Audit and Risk Management Committee of the third session of the Board for 2025	27 March 2025	(I) To consider the Proposal on the 2024 Annual Report and Results Announcement of the Company;
		(II) To consider the Proposal on the Final Financial Report of the Company for 2024;
		(III) To consider the Proposal on the Preliminary Annual Profit Distribution Plan of the Company for 2024;
		(IV) To consider the Proposal on Payment of Auditor Fee of the Company for 2024 and Appointment of Auditor for 2025;
		(V) To consider the Proposal on Internal Risk Control Report for 2024;

CORPORATE GOVERNANCE REPORT

Session of the Audit and Risk Management Committee's meetings

	Date	Major issues considered
		(VI) To consider the Proposal on the Compliance Assessment Report of the Company for 2024;
		(VII) To consider the Proposal on the Performance Report of Audit and Risk Management Committee of the Board of the Company for 2024;
		(VIII) To consider the Proposal on the Internal Audit Work Summary for 2024 and Internal Audit Work Plan for 2025.
The second meeting of the Audit and Risk Management Committee of the third session of the Board for 2025	30 July 2025	To consider the Proposal on Continuing Connected Transactions in Relation to Signing the Machinery Equipment and Accessories Sales Framework Agreement.
The third meeting of the Audit and Risk Management Committee of the third session of the Board for 2025	27 August 2025	To consider the Proposal on Interim Results Announcement and Interim Report for 2025.
The fourth meeting of the Audit and Risk Management Committee of the third session of the Board for 2025	3 November 2025	To consider the Proposal on Continuing Connected Transactions in Relation to Signing the Financial Services Framework Agreement.

CORPORATE GOVERNANCE REPORT

Attendance of each member at the meetings is as follows:

No.	Name	Position	Number of attendance/ Number of meetings
1	Na Pengjie	Chairman of the committee	4/4
2	Wu Yuntian	Member	4/4
3	Chu Ching	Member	4/4

Note: Mr. Na Pengjie, Mr. Wu Yuntian and Ms. Chu Ching have been appointed as the members of the Audit and Risk Management Committee of the fourth session of the Board of the Company on 4 December 2025. Mr. Na Pengjie has been appointed as the chairman of the Audit and Risk Management Committee of the fourth session of the Board of the Company on 4 December 2025.

c. **Nomination Committee**

The Nomination Committee of the Company was established in June 2015. It currently consists of three Directors, including one executive Director and two independent non-executive Directors. Due to the change of the session of the Board, Mr. Wu Yuntian was appointed as the chairman of the Nomination Committee as considered and approved at the first meeting of the fourth session of the Board. The other members of the committee are Mr. Tong Pujiang and Ms. Chu Ching.

The Nomination Committee of the Company is primarily responsible for formulating the selection criteria and procedures for Directors, general manager and other senior management personnel of the Company, which include, among other things:

- nomination, appointment or removal of Directors;
- appointment or dismissal of senior management personnel;
- review the structure, size and composition of the Board (including skills, knowledge and experience) at least annually, assist the Board in preparing a Board skills matrix, and make recommendations on any proposed changes to the Board to align with the Company's corporate strategy;
- evaluate the independence of the independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

In 2025, the Nomination Committee held four meetings to mainly consider the following issues:

Session of the Nomination

Committee's meetings	Date	Major issues considered
The first meeting of the Nomination Committee of the third session of the Board for 2025	27 March 2025	To consider the Proposal on the Performance Report of Nomination Committee of the Board of the Company for 2024.
The second meeting of the Nomination Committee of the third session of the Board for 2025	30 July 2025	(I) To consider the Proposal on Appointment of Chief Accountant of the Company.
The third meeting of the Nomination Committee of the third session of the Board for 2025	3 November 2025	(I) To consider the Proposal on Nomination of Non-employee Directors of the Fourth Session of the Board of the Company.
The first meeting of the Nomination Committee of the fourth session of the Board for 2025	4 December 2025	(I) To consider the Proposal on Appointments of Senior Management Members of the Company.

- Attendance of each member at the meetings is as follows:

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

Note: Mr. Tong Pujiang, Mr. Wu Yuntian and Ms. Chu Ching have been appointed as the members of the Nomination Committee of the fourth session of the Board of the Company on 4 December 2025. Mr. Wu Yuntian has been appointed as the chairman of the Nomination Committee of the fourth session of the Board of the Company on 4 December 2025.

CORPORATE GOVERNANCE REPORT

d. Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee of the Company was established in June 2015. It currently consists of three Directors, including one executive Director and two independent non-executive Directors. Due to the change of the session of the Board, Ms. Chu Ching was appointed as the chairlady of the Remuneration and Evaluation Committee as considered and approved at the first meeting of the fourth session of the Board. The other members of the committee are Mr. Tong Pujiang and Mr. Na Pengjie.

The Remuneration and Evaluation Committee of the Company is primarily responsible for formulating and reviewing the remuneration policies and plans for the Directors and senior management; considering the evaluation criteria for Directors and senior management; conducting the evaluation and providing recommendations thereon, which include, among other things:

- remuneration and remuneration policies for the Directors and senior management, including but not limited to the performance evaluation criteria and procedure, the main evaluation system, the major plans and systems for rewards and punishments, etc.;
- formulation or amendment of equity incentive schemes and employee stock ownership plans, and achievement of the conditions for grant and exercise of rights by incentive recipients;
- to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such they are consistent with contractual terms and are otherwise reasonable and appropriate.

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

CORPORATE GOVERNANCE REPORT

In 2025, the Remuneration and Evaluation Committee held three meetings to mainly consider the following issues:

Session of the Remuneration and Evaluation Committee's meetings	Date	Major issues considered
The first meeting of the Remuneration and Evaluation Committee of the third session of the Board for 2025	27 March 2025	(I) To consider the Proposal on the Remuneration of the Directors of the Company for 2024; (II) To consider the Proposal on the Remuneration of the Senior Management of the Company for 2024; (III) To consider the Proposal on the Performance Report of Remuneration and Evaluation Committee of the Board of the Company for 2024.

CORPORATE GOVERNANCE REPORT

Session of the Remuneration and Evaluation Committee's meetings	Date	Major issues considered
The second meeting of the Remuneration and Evaluation Committee of the third session of the Board for 2025	27 August 2025	<p>(I) To consider the Proposal on the Results of Business Performance Assessment of the Management Members of the Company for 2024;</p> <p>(II) To consider the Proposal on the Implementation Plan for the 2025 Business Performance Assessment of the Management Members of the Company;</p> <p>(III) To consider the Proposal on the Implementation Plan for the Business Performance Assessment of the Management Members of the Company for the Term of 2025-2027.</p>
The third meeting of the Remuneration and Evaluation Committee of the third session of the Board for 2025	29 September 2025	<p>(I) To consider the Proposal on Amendments to the Management Measures for the Remuneration of the Management Members of the Company;</p> <p>(II) To consider the Proposal on the Mid-term Assessment of the 2025 Business Performance Assessment Metrics of the Management Members of the Company.</p>

CORPORATE GOVERNANCE REPORT

Attendance of each member at the meetings is as follows:

No.	Name	Position	Number of attendance/ Number of meetings
1	Chu Ching	Chairlady of the committee	3/3
2	Tong Pujiang	Member	3/3
3	Na Pengjie	Member	3/3

Note: Mr. Tong Pujiang, Mr. Na Pengjie and Ms. Chu Ching have been appointed as the members of the Remuneration and Evaluation Committee of the fourth session of the Board of the Company on 4 December 2025. Ms. Chu Ching has been appointed as the chairlady of the Remuneration and Evaluation Committee of the fourth session of the Board of the Company on 4 December 2025.

e. Corporate governance functions

The Board is responsible for the following corporate governance functions:

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

CORPORATE GOVERNANCE REPORT

During the reporting period, the Board reviewed and supervised from time to time the implementation of a series of corporate governance documents; reviewed and actively organized training and continuing professional development for Directors and senior management; reviewed and monitored whether there was any violation of laws and regulatory requirements by the Company; approved the Corporate Governance Report of the Company for 2024, and approved the disclosure on the website of the Stock Exchange and the Company's website of the same; and formulated, reviewed and supervised Shareholder communications policy to ensure its effectiveness.

V. CHAIRMAN AND GENERAL MANAGER

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

(I) Chairman

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

- (1) to preside over general meetings, to convene and preside over meetings of the Board;
- (2) to supervise and check on the implementation of the board resolutions;
- (3) to exercise other functions and powers conferred by the law, regulations, the Articles of Association or the Board.

CORPORATE GOVERNANCE REPORT

(II) General Manager

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

- (1) to be in charge of the production, operation and management of the Company, to organize the implementation of the resolutions of the Board of Directors, and to report on his or her work to the Board of Directors;
- (2) to arrange for the implementation of the Company's annual business plans and investment plans;
- (3) to draft the plan for establishment of the Company's internal management organization;
- (4) to draft the Company's basic management system;
- (5) to formulate the specific rules and regulations of the Company;
- (6) to request the Board of Directors to engage or dismiss the Company's deputy general managers, chief accountant, chief engineer and chief economist;
- (7) to engage or dismiss management personnel other than those to be engaged or dismissed by the Board of Directors;
- (8) other duties conferred by the Articles or the Board of Directors.

VI. INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

CORPORATE GOVERNANCE REPORT

VII. BOARD DIVERSITY POLICY

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

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

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

In addition, as of 31 December 2025, female employees accounted for approximately 15.89% of all employees (including senior management members) of the Company. The Company aims to maintain the proportion of females in all employees of the Company at the current level, so as to achieve sustainable gender diversity.

VIII. NOMINATION OF DIRECTORS

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

CORPORATE GOVERNANCE REPORT

IX. REMUNERATION OF SENIOR MANAGEMENT

According to the code provision E.1.5 of Part 2 of the CG Code, the range of annual remuneration of the members of the senior management for 2025, whose particulars are contained in the section headed “Directors and Senior Management” in this report, is set out below:

For the year ended 31 December 2025

Remuneration band (RMB)	Number of individuals
RMB1,000,000 and above	0
RMB500,000 (inclusive) to RMB1,000,000	6
Below RMB500,000	2
Total	8

Note: Ms. Kong Deming resigned as the Company’s chief accountant in April 2025. Mr. Qin Xuehe was appointed as the Company’s chief accountant in July 2025.

X. REMUNERATION OF THE AUDITORS

Grant Thornton is the auditor of the Company for 2025. For the year ended 31 December 2025, the services provided and the remuneration received by Grant Thornton are as follows:

Services	Fee (RMB)
Auditing fee for 2025 financial statements	700,000
Interim review for 2025	280,000
Total	980,000

CORPORATE GOVERNANCE REPORT

XI. DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors confirm that they are responsible for the preparation of financial statements for the financial year ended 31 December 2025, to give a true and fair report of the Company's financial position and financial performance.

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

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

XII. JOINT COMPANY SECRETARIES

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

Mr. Law Chun Biu, aged 52, serves as one of the joint company secretaries of the Company. He joined the Company and was appointed as a joint company secretary in November 2015. From March 2000 to December 2002, Mr. Law worked for Harbor Ring Management Limited as an assistant accounting manager. From March 2003 to October 2006, he was a senior accountant of Tonic Electronics Ltd. From October 2006 to April 2007, he was a finance manager of Fuji Kon Industrial Co. Ltd. Since December 2007, he has been a joint company secretary of China Railway Construction Corporation Limited. Mr. Law is a member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Law obtained a bachelor's degree from Hong Kong University of Science and Technology in 1997, majoring in business administration. He obtained a master's degree from Hong Kong Polytechnic University in 2006, majoring in information systems.

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

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

CORPORATE GOVERNANCE REPORT

XIII. CONSTITUTIONAL DOCUMENTS

The Company's first extraordinary general meeting of 2015 was convened on 24 June 2015 to consider and approve the resolution on Adoption of the Articles after Issuance and Listing of H Shares of CRCC High-Tech Equipment Corporation Limited, and to approve the applicable Articles (Draft) after issuance and listing of H Shares. Those Articles came into force since the listing date of H Shares on the Main Board of the Stock Exchange. The Company was approved to make amendments to the Articles upon the consideration and approval at the 2017 annual general meeting on 29 June 2018 in accordance with relevant requirements and regulations of the State-owned Assets Supervision and Administration Commission of the State Council, China Securities Regulatory Commission and relevant national regulatory authorities. On 28 June 2019, with the approval from the Company's 2018 annual general meeting, the Company, as an enterprise controlled by the Central Government, made certain amendments to the Articles under relevant requirements and regulations. On 27 March 2020, with the approval from the Company's first extraordinary general meeting of 2020, the Company made certain amendments to the Articles according to the amendments of relevant laws and regulations and based on the Company's actual situation. On 23 June 2020, with the approval from the Company's 2019 annual general meeting, the Company made certain amendments to the Articles according to the changes in the Company's business scope and based on the Company's actual situation. On 28 June 2021, according to the changes in the Company's business scope and based on the Company's actual situation, the Company made certain amendments to the Articles. On 21 October 2022, according to the changes in the Company's business scope and based on the Company's actual situation, the Company made certain amendments to the Articles. On 30 September 2025, according to the Company Law and relevant laws, regulations and departmental rules, the Company made amendments to the Articles.

XIV. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

CORPORATE GOVERNANCE REPORT

XV. SHAREHOLDERS' RIGHTS

1. Convening extraordinary general meetings

A Shareholder alone or Shareholders together holding at least 10 percent of the Company's shares may make a request to the Board of Directors in writing that it call an extraordinary general meeting. The Board of Directors shall, in accordance with laws, administrative regulations and the Articles of Association, give a written response on whether or not it agrees to call such a meeting within 10 days after receipt of the request. If the Board of Directors agrees to call an extraordinary general meeting, it shall issue a notice calling such meeting within 5 days after it has so resolved. If the Board of Directors does not agree to call such meeting, or fails to give a response within 10 days after receipt of the request, the Shareholder alone or Shareholders together holding at least 10 percent of the shares of the Company shall have the right to propose to the Audit and Risk Management Committee in writing that it call the extraordinary general meeting. If the Audit and Risk Management Committee agrees to call the extraordinary general meeting, it shall issue a notice calling such meeting within 5 days after receipt of the request. If the Audit and Risk Management Committee fails to issue a notice calling the general meeting by the prescribed deadline, it shall be deemed to have failed to convene and preside over such meeting, and a Shareholder who alone has held or Shareholders who together have held at least 10 percent of the shares of the Company for at least 90 days in succession may himself/themselves convene and preside over such meeting.

2. Putting enquiries to the Board

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

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

CORPORATE GOVERNANCE REPORT

3. Putting proposals at general meetings

A Shareholder alone or Shareholders together holding at least 1 percent of the shares of the Company may submit extempore motions in writing to the convener 10 days prior to the date of such meeting. The convener shall issue a supplementary notice of the general meeting and make a public announcement of the contents of such extempore motion within two days after receipt of the motion, and submit such extempore motion to the general meeting for consideration. However, this does not apply to extempore motions that violate laws, administrative regulations or the Articles of Association, or that fall outside the scope of functions and powers of the general meeting.

XVI. INVESTOR RELATIONS

The Company is of the view that effective communication with Shareholders is critical for strengthening investor relation and attracting investors. In 2025, the Company upheld the principles of openness, fairness and impartiality and maintained timely and thorough communication with its investors.

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

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

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

CORPORATE GOVERNANCE REPORT

XVII. DIVIDEND POLICY

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

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

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

As confirmed by Grant Thornton, net profit attributable to the owners of the Company in 2025 as set out in the consolidated financial statements prepared under the China Accounting Standards for Business Enterprises amounted to RMB143,893,811.20.

The distributable profit of the Company as of 31 December 2025 will be allocated in the following priority:

1. RMB11,934,539.78, being 10% of the net profit achieved in 2025, will be appropriated as statutory surplus reserve, upon which, profit available for distribution in the consolidated financial statements for the Year will be RMB876,592,097.48;
2. Cash dividends of RMB0.029 per share (tax inclusive), totaling RMB44,076,636.00 (tax inclusive) based on the total share capital of 1,519,884,000 shares as at 31 December 2025, upon which, the balance of RMB832,515,461.48 will be carried forward to the next year.

DIRECTORS' REPORT

The Board hereby presents to the Shareholders the Directors' Report and the audited financial statements of the Company prepared in accordance with the China Accounting Standards for Business Enterprises for the year ended 31 December 2025.

PRINCIPAL BUSINESS

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

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

OPERATING RESULTS

The financial and operating results of the Company for the year ended 31 December 2025 are set out in the section headed "Management Discussion and Analysis".

MAJOR RISKS AND UNCERTAINTIES

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

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

Regulatory risks

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

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

DIRECTORS' REPORT

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

In 2025, the Company also paid close attention to the legislative developments of the industry while operating in compliance with the regulatory requirements under the abovementioned laws, regulations and departmental rules. Throughout the Year and up to the date of this report, the Group has complied with relevant laws and regulations that have a significant impact on the business and operations of the Group in material aspects. If there are any changes to applicable laws, rules and regulations, the Group will notify relevant employees and relevant operating units of the same from time to time.

Policy risks

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

Market risks

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

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

DIRECTORS' REPORT

The largest supplier of the Company is Zhuzhou Times Electronic Technology Co., Ltd.* (株洲時代電子技術有限公司), the purchase from whom is attributable to approximately 9.66% of the Company's total purchase for the Year, and the purchase attributable to our five largest suppliers amounted to approximately 29.22% of our total purchase for the Year. Significant changes in the relationship between the Company and its major suppliers may have a material adverse impact on the business of the Company.

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

Operating risks

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

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

ENVIRONMENTAL POLICY

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

DIRECTORS' REPORT

BUSINESS MODEL AND DIRECTION OF STRATEGY

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

Leveraging the development of the industrial park regarding national large railway track maintenance machinery high-tech industry and with the vision of developing into a world-class modern enterprise, the Company will focus on two major directions of vigorously cultivating and expanding strategic emerging industries and actively positioning itself in future-oriented industries, strive to pioneer in five new sectors of new technologies, new equipment, new processes, new energy and new services, and accelerate transformation towards high-end, intelligent, green, refined, digital and international development. With research into new quality productive forces as the main direction, guided by the demands of the "national railway market, urban rail market and overseas market", and leveraging service-oriented manufacturing as its key driver, the Company will center on the integrated development of innovation chain, industrial chain, capital chain and talent chain, strengthen innovation in core technology breakthroughs, industrial ecosystems, business models and industrial refinement, further deepen, broaden and refine its operations in the large railway track maintenance equipment sector, while actively expanding into new markets, new fields and new industries to form new drivers of economic growth.

RESULTS AND DIVIDENDS (RESERVE AVAILABLE FOR DISTRIBUTION)

For results of the Company for the year ended 31 December 2025 prepared in accordance with the China Accounting Standards for Business Enterprises, please refer to the audited financial statements of this report. The annual results for the year ended 31 December 2025 of the Company have been reviewed by the Audit and Risk Management Committee of the Company.

As at 31 December 2025, reserve available for distribution of the Group (before distribution of the final dividend) amounted to RMB876.59 million. The Board proposed to distribute final dividend in cash of RMB0.029 per share (applicable tax inclusive) for the Year, totaling RMB44.08 million (applicable tax inclusive).

The proposed dividend is subject to approval by the Shareholders at the 2025 annual general meeting of the Company to be held in 2026. Upon consideration and approval, final dividend for the year ended 31 December 2025 is expected to be paid on or around 21 August 2026.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in Note V-14 to the financial statements.

SHORT-TERM BORROWINGS

The Group had no short-term borrowings as at 31 December 2025.

LONG-TERM BORROWINGS

The Group had no long-term borrowings as at 31 December 2025.

SHARE CAPITAL

As of 31 December 2025, the share capital of the Company was 1,519,884,000 shares, of which 531,900,000 shares were H Shares.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The Company's major customers include China State Railway Group Co., Ltd. and its affiliated enterprises, local railway operators and railway construction companies. During the Year, the revenue from the sales of goods and provision of services in aggregate attributable to China State Railway Group Co., Ltd. and its affiliated enterprises was approximately 71.11% of the Group's total operating revenue while the revenue from the sales of goods and provision of services in aggregate attributable to our five largest customers was approximately 27.19% of the Group's total revenue. The Group's top five customers are independent third parties.

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

The largest supplier of the Company is Zhuzhou Times Electronic Technology Co., Ltd.* (株洲時代電子技術有限公司), the purchase from whom is attributable to approximately 9.66% of the Company's total purchase, and the purchase attributable to our five largest suppliers amounted to approximately 29.22% of our cost for the Year. Significant changes in the relationship between the Company and our major suppliers may have a material adverse impact on our business.

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

DIRECTORS' REPORT

DIRECTORS OF THE COMPANY

The Directors of the Company in 2025 and up to the date of this report are as follows:

1. Composition of the Board

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

Name	Position in the Company	Commencement date of serving as Director of the Company
Tong Pujiang	Executive Director and chairman of the Board	15 September 2017
Xiang Daqiang	Executive Director and general manager	28 June 2024
Chen Yongxiang	Executive Director	22 June 2017
Lyu Jing	Non-executive Director	9 August 2024
Xie Huagang	Non-executive Director	28 June 2024
Wu Yuntian	Independent non-executive Director	21 October 2022
Na Pengjie	Independent non-executive Director	21 October 2022
Chu Ching	Independent non-executive Director	21 October 2022
Mo Bin	Employee Director	Appointed as an executive Director of the Company on 27 November 2023; elected as an employee Director of the Company at the employee representative meeting of the Company on 4 December 2025

DIRECTORS' REPORT

2. Abolition of the Supervisory Committee

As considered and approved at the twentieth meeting of the third session of the Board and the 2025 first extraordinary general meeting of the Company, the Company has abolished the supervisory committee, and the Audit and Risk Management Committee of the Board will exercise the powers and functions of the supervisory committee as stipulated in the Company Law of the People's Republic of China. The positions of the supervisors of the Company have been automatically terminated.

BIOGRAPHIES OF DIRECTORS

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

POSITIONS HELD BY DIRECTORS AND SENIOR MANAGEMENT

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

REMUNERATION OF DIRECTORS

Details of the remuneration of the Directors of the Company for the year ended 31 December 2025 are set out in Note X-4 (3) to the consolidated financial statements.

SERVICE CONTRACTS WITH DIRECTORS

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

None of the Directors entered into a service contract with the Company which is not terminable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN IMPORTANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Year and as at 31 December 2025, none of the Directors nor entities connected with them has or had a material interest, whether directly or indirectly, in any transaction, arrangement or contract (which remain effective during or at the end of the Year) of significance to the business of the Company to which the Company, its holding company or any of its subsidiaries was a party.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year and as at 31 December 2025, none of the Directors, directly or indirectly, had an interest in any business which competes or may compete with the business of the Company and/or its subsidiaries.

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

During the Year and as at 31 December 2025, none of the Directors and the general manager or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or any interests or short positions required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or any personal, family, corporate or other interests or short positions required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

PERMITTED INDEMNITY PROVISIONS

During the reporting period and as at 31 December 2025, the Company has purchased liabilities insurance for the Directors, which provides appropriate insurance for the Directors.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' REPORT

EMPLOYEES AND REMUNERATION POLICY

The Company's remuneration policy for its employees takes into account the individuals' post value, work performance and competence. The Company places great emphasis on the provision of on-the-job-training and development of its employees. Each staff member is required to participate in training organized by the Company and its department prior to the commencement of his or her employment. The Company formulates training plans according to its staff position and career development needs and releases its annual training plan at the beginning of year pursuant to which all departments need to organize staff training. The management and other employees are required to undertake training for enhancing work ability as specified by the Company. The Company has established channels for career development of employees. Employees have opportunities of promotion and development according to the orders of different positions within the Company. As at 31 December 2025, the Company had 1,825 full-time employees, and the total amount of remuneration (including salaries and additions) for employees in 2025 was approximately RMB458.44 million.

Remunerations of Directors are proposed by the Remuneration and Evaluation Committee of the Board, which will be submitted to the Board for consideration and subject to approval by the shareholders of the Company at the general meeting. Remunerations of Directors are determined based on the experience and position held by Directors, the Company's performance, industry benchmark remunerations and market condition. For details of remunerations of Directors, please refer to Note X-4 (3) in the financial statements. As of 31 December 2025, the Company did not formulate any long-term incentive schemes.

MANAGEMENT CONTRACT

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

DIRECTORS' REPORT

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

Structure of Share Capital

The Company's share capital structure as at 31 December 2025 was as follows:

Shareholder	Class	Number of shares	Percentage of issued share capital as at 31 December 2025
China Railway Construction Corporation Limited	Domestic shares	968,224,320	63.70%
China Railway Construction Investment Group Co., Ltd.	Domestic shares	4,939,920	0.325%
China Railway Construction International Group Co., Ltd.	Domestic shares	4,939,920	0.325%
China Civil Engineering Construction Corporation	Domestic shares	4,939,920	0.325%
CRCC China-Africa Construction Limited	Domestic shares	4,939,920	0.325%
Shares in public hands	H Shares	531,900,000	35.00%
Total		1,519,884,000	100%

DIRECTORS' REPORT

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

To the knowledge of the Directors, as of 31 December 2025, except for the Directors or the chief executive of the Company, the interests and short positions of any person in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO are set out as follows:

Unit: share

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

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

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

DIRECTORS' REPORT

Note 3: As at 31 December 2025, China Railway Construction Group Corporation directly held approximately 51.23% shares of China Railway Construction Corporation Limited, while China Railway Construction Corporation Limited directly or indirectly held 987,984,000 domestic shares of the Company. Therefore, China Railway Construction Group Corporation was deemed to be interested in these shares.

Note 4: As at 31 December 2025, CRRC Zhuzhou Institute Co., Ltd. held 100% equity interest in CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited and was a wholly-owned subsidiary of CRRC Corporation Limited. CRRC Group Co., Ltd. held 50.73% shares of CRRC Corporation Limited. CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited held 44,285,500 H Shares of the Company. Thus, CRRC Zhuzhou Institute Co., Ltd., CRRC Corporation Limited and CRRC Group Co., Ltd. were deemed to be interested in these shares.

PUBLIC FLOAT

According to publicly available information and as far as the Directors were aware, there was a sufficient public float of the Company's issued shares as required under the Listing Rules throughout the year ended 31 December 2025. As at the date of this report, at least 25% of the Company's total issued share capital is held by public Shareholders.

CONTINUING CONNECTED TRANSACTIONS

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

Non-exempt continuing connected transactions

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

The Machinery Equipment and Accessories Sales Framework Agreement with CRCC

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

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

DIRECTORS' REPORT

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

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

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

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

As of 31 December 2025, CRCC directly and indirectly held approximately 65% issued share capital of the Company and was the controlling Shareholder of the Company. Therefore, CRCC and its associates constituted connected persons of the Company, transactions under the Machinery Equipment and Accessories Sales Framework Agreement constituted continuing connected transactions of the Company under the Listing Rules.

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

The Company convened its 2025 first extraordinary general meeting on 30 September 2025, on which it considered and approved the resolution in relation to the Machinery Equipment and Accessories Sales Framework Agreement and the annual caps thereunder, agreed on the renewal of the Machinery Equipment and Accessories Sales Framework Agreement and set out the annual caps for the continuing connected transactions under the agreement to RMB350 million, RMB350 million and RMB350 million for the years of 2026, 2027 and 2028, respectively. For details, please refer to the circular of the Company dated 12 September 2025.

DIRECTORS' REPORT

For the year ended 31 December 2025, the amount of products and services provided by the Group to CRCC and/or its associates under the Machinery Equipment and Accessories Sales Framework Agreement was RMB94.99 million, not exceeding the annual cap of RMB1,100 million for the year of 2025 as approved by the general meeting.

Financial Services Framework Agreement with CRCC Finance

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

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

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

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

As of 31 December 2025, CRCC Finance was a connected person of the Company by virtue of being a subsidiary of CRCC. Therefore, the transactions contemplated under the Financial Services Framework Agreement constituted continuing connected transactions of the Company under the Listing Rules.

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

DIRECTORS' REPORT

The Company convened the 23rd meeting of the third session of the Board on 3 November 2025, on which it considered and approved the resolutions on the continuing connected transactions in relation to the Financial Services Framework Agreement, agreed on the renewal of the Financial Services Framework Agreement between the Company and CRCC Finance and the maximum daily balance of deposits (including accrued interest) under the agreement to be placed by the Group with CRCC Finance for the three years of 2026, 2027 and 2028 to be RMB60 million.

During the year ended 31 December 2025, the maximum daily balance of deposits (including accrued interest) placed by the Group with CRCC Finance under the Financial Services Framework Agreement was RMB29.51 million, not exceeding the annual cap of RMB30 million as approved by the Board.

Products and Services Procurement Framework Agreement with CRCC

The Company and CRCC renewed the products and services procurement framework agreement (the “**Products and Services Procurement Framework Agreement**”) on 9 May 2023. Pursuant to the agreement, the Company and/or its subsidiaries agreed to purchase products and services from CRCC and/or its associates for the term commencing from 1 January 2024 and ending on 31 December 2026, including:

- (i) materials and equipment required by the Company and/or its subsidiaries in their productions and sales;
- (ii) construction services;
- (iii) assets and equipment leasing services;
- (iv) railway line usage services;
- (v) maintenance services;
- (vi) other paid services.

For details, please refer to the announcement of the Company dated 9 May 2023.

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

- (i) Where there are market prices for the relevant products and services, the prices shall be determined with reference to the prevailing market prices, which are the prices charged by CRCC and/or its associates for providing the same type of products and services to an independent third party customer on normal commercial terms. In determining the prevailing market prices for the relevant products and services, the Company will make reference to the quotations offered by at least two independent third party suppliers for providing the same or similar products or services. The Company will also take into account the following factors to ensure that the prices offered by CRCC and/or its associates will be no less favourable than those available to the Company from the independent third party suppliers for purchasing the same type of products or services, including the costs of the relevant products or services, quality requirements, market conditions, and time arrangement;
- (ii) Where there are no market prices for the relevant products and services that are aimed at meeting the Group's specific business requirements, the prices shall be determined according to the agreed prices between the parties. The agreed prices will be calculated based on the actual costs incurred in providing such products and services, which include the costs of raw materials, accessories, depreciation, salary, energy, required technology and equipment maintenance, plus reasonable profits. CRCC and/or its associates will charge a mark-up rate generally not higher than 15% for all transactions under the Products and Services Procurement Framework Agreement, which is the same mark-up rate charged to an independent third party customer. The Board is of the view that such mark-up rate is fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

As of 31 December 2025, CRCC was the controlling Shareholder of the Company which directly and indirectly held approximately 65% of the issued share capital of the Company, and thus CRCC and its associates constituted connected persons of the Company. Therefore, the transactions under the Products and Services Procurement Framework Agreement constituted continuing connected transactions of the Company under the Listing Rules.

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

DIRECTORS' REPORT

For the year ended 31 December 2025, the amount paid by CRCC and/or its associates to the Company in respect of the products and services under the Products and Services Procurement Framework Agreement was RMB61.93 million, not exceeding the annual cap of RMB160 million for the year of 2025 as approved by the Board.

ANNUAL REVIEW FOR CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

RELATED PARTY TRANSACTIONS

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

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

NON-COMPETITION AGREEMENT

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

The Company's independent non-executive Directors reviewed the compliance with the Non-Competition Agreement as well as relevant information for the year ended 31 December 2025 provided by CRCC and China Railway Construction Group Co., Ltd.. In the opinions of the independent non-executive Directors, CRCC and China Railway Construction Group Co., Ltd. complied with the relevant provisions under the Non-Competition Agreement in 2025; and their respective operations were independent of the Group's business, without any mutual competition conduct with the Group. The Board was able to independently operate and manage the Company's business well on the premise of the overall interests of the Company and the Shareholders.

DIRECTORS' REPORT

EVENTS AFTER THE BALANCE SHEET DATE

As disclosed in note XII to the financial statements, on 27 March 2026, the Board proposed the payment of a final dividend of RMB0.029 per share (tax inclusive) for the year ended 31 December 2025. The proposed final dividend is subject to approval by the Shareholders of the Company at the forthcoming annual general meeting of the Company.

TAXATION

According to regulations of the Circular on Relevant Issues of Withholding Corporate Income Tax of Chinese Resident Enterprises which Distribute Dividends to Overseas H Share Non-Resident Enterprise Shareholders (Guo Shui Han No. [2008]897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) promulgated by the State Administration of Taxation, while distributing the dividends of 2008 and subsequent years to overseas H share non-resident enterprise shareholders, Chinese resident enterprises shall uniformly withhold corporate income tax at the rate of 10%. Accordingly, the Company shall withhold corporate income tax at the rate of 10% before distributing final dividend to non-resident enterprise shareholders listed on register of members of H Share of the Company. Shares registered in the name of non-individual registered shareholders (including HKSCC Nominees Limited, other nominees, trustees or other organizations and institutions) will be treated as being held by non-resident enterprise shareholders, and the dividends receivable shall therefore withhold corporate income tax.

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

DIRECTORS' REPORT

AUDITOR

The financial statements for the Year have been audited by Grant Thornton.

At the 2024 annual general meeting held on 20 June 2025, the Proposal on Payment of Auditor Fees for 2024, Proposed Appointment of Auditor for the Year Ending 31 December 2025 and the Authorization to the Board to Fix the Remuneration Thereof was considered and approved, pursuant to which, the Company agreed to re-appoint Grant Thornton as the auditor of the Company for 2025 under China Accounting Standards for Business Enterprises to audit the Company's 2025 annual financial statements.

By order of the Board

Tong Pujiang

Chairman

Kunming, Yunnan, the PRC

27 March 2026

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We are pleased to present this Environmental, Social and Governance (ESG) Report, which demonstrates the updates on sustainable development of the Company and its subsidiaries from 1 January 2025 to 31 December 2025 (the “**reporting period**”). In order to determine the ESG reporting scopes, the key management personnel has discussed internally and identified the environmental, social and operating items, and assessed their importance to the shareholders and the Company. This section has been prepared based on the Environmental, Social and Governance Reporting Code issued by the Hong Kong Stock Exchange, and has complied with the “comply or explain” provisions as set out in Part C of the Environmental, Social and Governance Reporting Code, to report on employment and labor practice, operating practice, community and environment and so on, and has disclosed the climate-related information required under Part D in accordance with the “comply or explain” provisions.

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

REPORTING PRINCIPLE

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART I CORPORATE SOCIAL RESPONSIBILITY GOVERNANCE

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

The Company has set up a comprehensive management system, including four levels of management system, namely ISO9001, ISO22163, CRCC integrated quality management system, GB/T24001-2016/ISO14001:2015 environmental management system, GB/T45001-2020/ISO45001:2018 occupational health and safety management system, and GB/T23331-2020/ISO50001:2018 energy management system. Through the comprehensive management system and providing trainings to employees, the various internal business units within the Company are guided to integrate corporate social responsibility into their operations and activities.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART II EMPLOYMENT AND LABOR PRACTICE

I. Employment

1. Overview of staff

As at 31 December 2025, the Company had a total of 1,825 employees, representing a decrease of 4.55% as compared to the corresponding period of 2024.

Indicator	Number of employees in 2025	Number of employees in 2024	Turnover rate
By gender			
Male	1,536	1,591	3.83%
Female	289	321	7.17%
By employment type			
Middle and senior management	97	99	–
Production and relevant staff	886	886	–
Technical staff	842	927	–
By age group			
<30	159	217	11.06%
30 to 50	1,415	1,426	4.07%
>50	251	233	0.86%
By education background			
Doctor	2	2	–
Master	193	236	–
Bachelor	826	831	–
Junior college and below	804	843	–
By geographic region			
China	1,825	1,912	4.39%
Fulltime or part-time			
Fulltime	1,825	1,912	
Part-time	0	0	

Note: Employee turnover rate = number of resigned employees/number of employees as at the beginning of 2025 of a given category.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. *Staff recruitment*

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

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

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

3. *Remuneration and benefits*

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

II. Employee Occupational Health and Safety

1. Occupational health and safety management system

In light of the business characteristics of the Company, the occupational health and safety of employees is considered to be an important social responsibility. The Company passed the GB/T28001-2011 certification of Occupational Health and Safety Management System in 2013 and has been improving and perfecting the system. The Company updated the system in accordance with the new standard of ISO45001-2018 Occupational Health and Safety Management System and passed the audit of external certification authority in 2019. The Company obtained the certificate of Occupational Health and Safety Management System GB/T45001-2020/ISO145001:2018 in 2020, passed the recertification audit in 2022 and 2025 and maintained the certificate. The Company has developed a number of occupational health and safety management regulations which passed domestic certification and complied with international standards, implemented manuals and internal policies on safety control processes and standards, and required all employees to comply with relevant regulations.



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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. *Safety production management*

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

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

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

In 2025, safety production expense of the Company amounted to RMB10,911,400, aiming to provide necessary protective equipment and medical security in all its business or business which may cause harm to employees. The Company has also established a safety education and training system, and conducted regular safety reviews, making sure that all employees are aware of hazards and conducts prevention and treatment. We also supported the development of occupational health and safety in the industry.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company achieved the following key safety indicators in 2025:

- (1) the Company recorded zero case of work-related casualties in 2025, and zero case of work-related casualties in 2023 and 2024;
- (2) there was no hazardous event such as fire disaster, explosion and special equipment accident;
- (3) all new employees received three-level safety education, all special operation staff held qualification certificates and all potential safety hazards were rectified;
- (4) no applicable laws or regulations relating to safe work environment and the avoidance of occupational hazards were violated.

During the reporting period, the Company lost 512 working days due to work-related injuries.

3. Occupational health and safety assessment

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Dedicated to the “people-oriented” principle, the Company leveraged onsite occupational hazards inspection and evaluation to effectively control the harm of noise, dust, hazardous gases and toxic substances to employees. In 2025, the Company entrusted Yunnan Chemical Industry Research Institute Co., Ltd. to conduct three tests on the Company’s highly toxic substances which constitute occupational hazards, including 1,361 test items of seven categories. Occupational hazards are tested and assessed once regarding 1,149 test items of 20 categories, and the qualification rate of all the tests exceeded 90%. Besides, the Company entrusted the Second Affiliated Hospital of Yunnan College of Traditional Chinese Medicine to conduct physical examination for employees of the Company exposed to occupational hazards, including 384 during employment, 42 before employment and 44 upon termination of employment, with a health examination coverage of 100%. Employees are provided with physical examination results. The Company did not record any case of suspected occupational disease and occupational disease in 2025.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. Development and Training

The Company believes that the knowledge and skills of our employees are crucial to our operation and business growth and we are committed to improving our employees' current performance, selecting and cultivating leading talent, continuously strengthening the capabilities of our teams of management personnel, Party and mass affairs professionals, marketing managers, research and development staff and skilled personnel to provide human resources support for the business needs and future development of the Company.

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

For the year ended 31 December 2025, the Company completed 223 training programs, conducted planned and unplanned training sessions with 13,384 attendances, achieved a training satisfaction rate of 98.19%, and invested RMB113.30 million in employee training.

Information on trainings provided to employees

	Total employees by category	Employees trained	Employees trained as a percentage of total employees	Average training hours per employee
By gender				
Male	1,536	1,522	99.09%	50.03
Female	289	287	99.31%	50.03
By employee type				
Senior management	8	8	100%	40.83
Middle-level management	89	89	100%	88.88
General employee	1,728	1,712	99.07%	51.89

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

(1) *Training for management personnel and Party and mass affairs professionals*

On the basis of effectively delivering routine training across various departments, we actively coordinated high-quality resources to conduct targeted thematic training programmes. External experts were invited to conduct specialized training for management personnel on “Benchmarking Against World-class Standards and Building Model Factories”, with 218 participants, helping management broaden their perspectives and enhance their management capabilities. We also successfully organized three sessions of CRCCE joint study training on “Selected Works of Xi Jinping on the Economy (Volume I)”, as well as the 2025 training programme for Party branch secretaries and Party affairs personnel to enhance their professional competence. Through the dual approach of strengthening theoretical foundations and enhancing professional capabilities, we improved the political awareness and overall performance capabilities of management personnel at all levels.

(2) *Marketing manager training*

We are committed to building a high-quality and professional marketing team that is “legally compliant, product knowledgeable, skilled in marketing, and specialized”. At the beginning of the Year, we organized a comprehensive training programme for business operations, covering key topics such as the major supervision mechanism, financial management for non-financial personnel, office software applications and official document writing, thereby strengthening employees’ comprehensive business capabilities. During the Year, we conducted specialized training and safety awareness programmes focusing on the updated version of the “Rules for the Use and Management of Large Railway Track Maintenance Equipment”. The training was conducted through a combination of offline sessions (77 participants) and online participation (317 participants), achieving full staff coverage with a 100% completion rate. Through phased and systematic initiatives to develop a team of management and marketing personnel, the Company continuously enhanced the overall professional capabilities and competencies of its marketing team.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(3) *Research and development staff training*

Leveraging its industry and education integration platform, we invited university experts and professors to conduct specialized training on topics such as the design of rail transit electric traction systems, strengthening collaborative talent development among industry, academia and research institutions. In line with the annual training plan, we organized systematic and multi-dimensional courses covering research and development design, quality analysis, experience review and safety awareness, thereby continuously enhancing the professional expertise and comprehensive capabilities of its research and development team.

(4) *Skilled personnel training*

We organized specialized training for 80 newly certified electricians, welders and fitters, as well as new apprenticeship training for 227 engineering machinery maintenance workers. In addition, pre-competition training for multi-skill competitions was conducted. We also completed the development of learning pathway resources for commissioning positions and targeted talent cultivation. Practical training on CNC machine programming and operation was carried out at the machining workshop, along with specialised vocational skills enhancement training at the general manufacturing factory. Through these targeted and systematic initiatives, we comprehensively enhanced the effectiveness of its skilled talent development.

(5) *Online learning platform development*

We built the Company's own online learning platform and created a training system covering 115 learning projects across 11 business sectors, including Party building, operations, skills, products, and general management. By leveraging the functional advantages of the platform and the flexibility and efficiency of online training, we promoted more refined and digitalized training management, which effectively overcame time and location constraints, thereby reducing training costs while significantly enhancing learning convenience and training quality and effectiveness.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IV. Labor Standards

The Company considers compliance as our minimum responsibility. In 2025, the Company collected and conducted risk assessment on a total of 50 laws and regulations applicable to human resource systems, including national laws, administrative regulations, national and industrial standards and normative requirements. The Company also conducted compliance evaluation, and translated into various rules and regulations and well-defined working procedures in a specific form. During the reporting period, the Company has complied with the relevant laws and regulations in relation to employment and labor practices that have a significant impact on the Company.

The Company adopts a zero-tolerance policy on the employment of child labor and forced labor, and the Company's strict internal systems such as the "Regulations on Employment Management" demonstrate our prohibition of using child labor and forced labor in strict compliance with the international standards and relevant domestic regulations. Child labor or forced labor is forbidden throughout the operation of the Company, including any supplier or subcontractor. During the reporting period, the Company was not aware of any cases of illegal use of child labor or forced labor.

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART III OPERATION PRACTICE

I. Supply Chain Management

The Company continues to enhance its supply chain management system with sustainability as a guiding principle. Compliance management and green development concepts are integrated throughout the entire supply chain process. By improving management systems, implementing refined control measures and strengthening collaborative governance, the Company continuously enhances the overall efficiency and sustainability of its supply chain.

1. *Supplier lifecycle management and network planning*

The Company implements refined risk management and control throughout the entire lifecycle of suppliers and establishes robust risk control mechanisms during the sourcing, development and supplier admission processes. Certifications relating to quality, environmental management, occupational health and safety are treated as fundamental admission thresholds and key criteria for supplier selection. Comprehensive and detailed reviews of system qualifications are conducted. Suppliers operating in special industries are further required to possess relevant qualification certificates issued by competent national authorities, such as the National Industrial Product Production License and licenses for the production and operation of hazardous chemicals, in order to strictly mitigate supply chain risks at the source. In addition, the Company conducts rigorous credit verification and rating assessments to comprehensively review suppliers' basic corporate information, and places particular emphasis on identifying risk factors such as major litigation disputes and administrative penalties. Through integrated assessments of suppliers' contract performance capabilities and dynamic evaluation of their creditworthiness, the Company achieves full-process management of partner credibility and risk, thereby effectively preventing supply chain cooperation risks.

The Company has established a well-structured and extensive supply chain network covering more than 30 provinces across mainland China, as well as Hong Kong, Macau and Taiwan regions and overseas markets in Europe and the United States. The network comprises more than 1,000 high-quality suppliers providing comprehensive support across all categories, including raw materials, tools and equipment, machinery and facilities, and logistics and transportation services, ensuring efficient end-to-end supply chain operations. The geographical distribution of qualified suppliers is balanced and well-structured, including 322 in Southwest China, 138 in Eastern China, 108 in Northern China, 74 in Central China, 41 in Southern China, 20 in Northeast China, 19 in Northwest China, and 13 in Taiwan, Hong Kong, Macau, Europe and the United States. These regional suppliers collectively provide strong overall supply assurance capabilities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company implements ongoing dynamic management of its supplier directory. By continuously integrating high-quality resources and cultivating strategic partners, it further optimizes the supplier structure and enhances the stability and reliability of the supply chain in areas such as supply assurance, quality control, cost management and service support. To date, the supplier database contains a total of 1,338 suppliers, including 735 qualified suppliers and 603 potential suppliers. The supply chain foundation continues to strengthen and its structure is continuously optimized, providing solid supply chain support for the Company's high-quality operational development.

2. *Green supply chain management*

At the supplier admission stage, the Company has established a comprehensive green admission and evaluation mechanism. The Supplier Management Measures clearly designate environmental compliance as a core admission requirement and standardized supplier selection procedures are implemented. During the qualification review stage, a dedicated "green qualification" assessment is conducted. Suppliers involved in environmentally sensitive processes are required to provide relevant certifications and approvals, such as ISO14001 environmental management system certification, pollutant discharge permits and environmental impact assessment approvals. The Company also strictly reviews any environmental violations within the previous three years. All newly admitted suppliers are required to sign a Supplier Environmental, Occupational Health and Safety Commitment Letter, undertaking to strictly comply with environmental regulations, reduce environmental pollution during production, storage and transportation, and accept on-site environmental audits conducted by the Company. In addition, all suppliers shall sign safety and environmental protection agreements, quality assurance agreements and technical agreements, which clearly require them to provide products and services that comply with national environmental standards.

During the supplier cooperation and management stage, the Company implements performance grading and dynamic closed-loop management. A comprehensive performance evaluation system covering quality, cost, delivery and environment (QCDE) has been established. Based on the six management elements of "personnel, machine, material, method, environment and testing", the Company conducts regular evaluations across multiple dimensions including cost-effectiveness, contract performance, delivery capability, material performance, quality stability and after-sales services. In particular, environmental performance assessments focus on key indicators such as carbon emission intensity, hazardous substance usage and waste recycling rates, and are conducted annually. Based on the evaluation results, suppliers are classified into four grades, namely green, blue, yellow and red. Priority procurement is given to high-level green suppliers, while lower-level suppliers are required to complete rectification within a specified timeframe. Suppliers that consistently fail to meet standards are subject to elimination procedures, thereby driving overall improvements in the environmental performance of the supply chain.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In supply chain operations, the Company actively promotes green logistics and recycling and reuse of packaging to support carbon reduction throughout the entire process. The Company actively promotes the use of digital procurement tools, enabling functions such as online tendering, electronic signatures and paperless reconciliation, thereby significantly reducing paper consumption. In the logistics stage, priority is given to service providers with green transportation qualifications (such as those using new energy vehicles), and transportation routes are optimized to reduce carbon emissions. In terms of packaging, the Company promotes standardization, reduction and recycling initiatives. For example, wooden packaging boxes at different sizes are dismantled and recycled, and then resized and remanufactured into new packaging boxes for reuse in finished products and spare parts. The annual recycling rate of packaging materials increased by approximately 15%. At the same time, suppliers are actively encouraged to adopt recyclable and biodegradable environmentally friendly packaging materials. In addition, the Company actively promotes green procurement and green production practices, and guides suppliers to align with the Company in fulfilling social responsibility and advancing green development, thereby providing strong supply chain support for the Company's high-quality development.

II. Product Responsibility

The Company remains committed to providing customers with high quality products and services, adhering to business ethics and practicing responsible market conduct.

1. *Establishment and certification of quality management systems*

The Company attaches great importance to the standardization, systematization and institutionalization of quality management, continuously promotes optimization and effective operation of its management systems, and strives to establish a well-regulated management platform to ensure that its quality management practices are aligned with both international and domestic standards, thereby continuously enhancing its quality management capabilities and the stability of product quality.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 1998, the Company introduced and continued to implement ISO9001 quality management standards, established a quality management system covering the whole process of production, business operation and management development of its product portfolios and accessories, and ensured constant and effective operation of the system. In 2012, the Company introduced the EN15085-2 international welding quality standard, ISO/IEC 17025 and CNAS-CL01 laboratory accreditation standard, fully covering key quality control processes such as welding and quality testing, thereby effectively enhancing process control and product quality. In 2020, the Company established and operated a quality assurance system covering small track maintenance machinery products according to the requirements of railway CRCC-14W-003, 005 and CRCC-00W-001 standards, further standardized the quality control of industry-certified products to ensure product quality. In October 2020, the Company launched and implemented ISO/TS22163:2017 (formerly known as IRIS) management system standard for railway and rail transit industry, promoting deeper integration between quality management and industry best practices. In 2024, after optimization and integration, the Company established the ISO9001, ISO22163 and CRCC integrated quality management system, so as to further improve the quality assurance capabilities of railway and rail transit maintenance machinery products, ensure market access qualifications and enhance the Company's core competitiveness. In 2025, the Company successfully passed the recertification audits for the ISO9001 and ISO22163 quality management systems and the EN15085-2 international welding quality standard, maintaining the validity of these certifications and providing strong assurance for the continued stability and improvement of product quality.

2. *End-to-end quality control and risk prevention*

The Company has established a quality management system integrating management and control and developed over 100 documents relating to management and control system, such as management and control manual, process management standards and various quality management systems, ensuring that management practices are standardized and effectively implemented. At the same time, the Company has improved and strengthened its quality management department and implemented a target decomposition and accountability mechanism, whereby quality objectives are broken down at different organizational levels, implemented and assessed on a regular basis. The Company has established a group-level integrated quality management system, and developed over 100 system documents including management and control manual, process management standards and quality systems. A dedicated quality management department has been set up to implement target breakdown and accountability mechanisms, ensuring that quality responsibilities are implemented at every level and subject to regular assessment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company has established a quality safety risk management system and developed an operation and management mechanism for quality safety risks covering the processes such as product design, supply chain management, manufacturing, after-sales services, quality monitoring and assessment. The Company strengthened control over key working procedures and special processes with focus on product quality risk points known as the “eight prevention” (e.g. the prevention of crack, the prevention of separation, the prevention of burning/hot bearing, the prevention of breakage, the prevention of explosion, the prevention of fire, the prevention of split and the prevention of runaway train). Guidance on operation process was followed strictly, and innovative mode for spot check and control was implemented for critical quality monitoring. The Company improved exception reporting of process quality and the emergency management mechanism of railway traffic accidents and comprehensively promoted quality safety risk management and control, ensuring the quality safety of complete machines and the safety of railway transportation, as well as the consistent fulfilment of its mission of “providing solid support to railway”.

In order to strictly control unqualified products, the Company has formulated and improved the review procedure for unqualified products to implement closed-loop control throughout the entire lifecycle, including identification, review, recall and disposal of unqualified products, so as to prevent unexpected use and delivery of unqualified products, and ensure full coverage of quality inspections for production raw and auxiliary materials, purchased materials (including purchased and outsourced parts), self-made parts, finished products, semi-finished products and final products, as well as effective control over the unqualified products identified by users after delivery.

During the reporting period, the Company did not record any cases of sold or delivered products subject to recall for safety and health reasons, fully demonstrating the stability and reliability of product quality.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. *Service system development and customer relationship management*

Under the service concept of “leaving no regret to customers”, the Company strengthens user training and after-sales service and improves customer satisfaction through various measures. The Company established a user training management system, and set up a training center for large railway track maintenance machinery. Based on product services and customer needs, the Company provides complete machine product operation, use, maintenance management and other business training for all railway system users, ensuring the operation safety and construction effect of large railway track maintenance machinery and equipment. Adhering to the principle of “responding quickly and taking immediate action”, the Company formed professional teams for after-sales services and arranged full-time service personnel, established an efficient and high-quality service mechanism, united personnel of research and development, production and process technicians to provide customers with a full range of services such as completion acceptance, technical guidance within and out of warranty period, etc. The Company established the project control mechanism with products as the main line of business and implemented full life cycle management of the products, precisely fulfilling the service needs of the customers.

In order to improve the customer complaint acceptance and handling mechanism, the Company clearly defines the entire process flow covering complaint lodging, acceptance, classification, handling, follow-up and settlement, to clear up the communication and feedback channels for users, and enable prompt acceptance, response and resolution of customer concerns. The Company organizes occasional user visits and exchanges and regular customer satisfaction surveys to comprehensively assess the Company's overall service, product supply, training service and after-sales service, product performance, product quality and supply of crucial components, precisely cater for customer demand, extensively collect user opinions or suggestions and conduct closed-loop rectification so as to continuously improve product and service quality and maintain its sound quality reputation. In addition, the Company has established the control procedure over customer property (including customer property, intellectual property rights, personal data, etc.) to strictly control the whole process covering identification, verification, use and disposal of customer property, so as to ensure the effective control of the customer property used by the Company.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. *Protection and safeguarding of intellectual property rights*

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART IV ANTI-CORRUPTION

The Company consistently upholds the principle of lawful and compliant operations and strictly complies with relevant laws and regulations, including the Anti-Unfair Competition Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China and the Criminal Law of the People's Republic of China, as well as compliance requirements of relevant regulatory authorities. The Company firmly prohibits corrupt practices such as bribery, extortion, fraud and money laundering. By establishing a multi-level supervision framework, strengthening comprehensive institutional controls and implementing all-round preventive governance measures, the Company has formed a closed-loop anti-corruption mechanism featuring "systems + supervision + accountability + education", thereby effectively reinforcing its compliant operation framework and safeguarding the Company's positive corporate image.

During the reporting period, the Company did not experience any major compliance risk incidents relating to corruption, did not receive or conclude any reports of corruption litigation cases, and there were no corruption litigation cases filed or concluded by judicial authorities.

I. Development of Anti-corruption Supervision and Institutional Systems

1. *Establishment of a multi-level supervision framework*

The Company has established a comprehensive supervision framework covering all governance bodies and operational processes. The Company has established the Discipline Inspection Committee, with the Discipline Inspection Committee Work Department operating under it, and dedicated or part-time discipline inspection personnel are assigned to each subsidiary to ensure that supervisory responsibilities are effectively implemented. The Company has also established a "comprehensive supervision" system involving multiple departments, including the Party Committee, the Discipline Inspection Committee, internal audit, legal and finance functions, thereby forming a coordinated and clearly defined supervisory structure across different organizational levels.

2. *Improvement of the full-process institutional control system*

The Company continuously strengthens its institutional framework relating to anti-corruption, anti-fraud and anti-money laundering. A dedicated policy, the Administrative Measures for Anti-Fraud Management, has been formulated and implemented, explicitly prohibiting any form of bribery, extortion, fraud or money laundering. The General Manager's Office Meeting serves as the leading body responsible for the implementation of relevant policies, while the audit department and the Discipline Inspection Committee Work Department act as the permanent institutions responsible for anti-fraud work, with other departments providing coordinated support. Together, these arrangements form a full-process control framework of "systems + supervision + accountability", ensuring that anti-corruption work is governed by clear rules and procedures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. *Routine risk identification and policy communication*

The Company conducted three targeted risk inspections focusing on high-risk areas related to corruption, with focus on non-compliant business activities, engineering construction and tendering processes, overseas project cooperation and other key areas. Potential risks identified during inspection were promptly rectified, achieving a 100% rectification completion rate. At the same time, the Company conducted comprehensive interpretation and communication of the newly revised Implementation Measures for the Party Committee's Comprehensive Supervision Work, ensuring that the Company's anti-corruption supervision and management requirements remain fully aligned with those of higher-level authorities and preventing compliance risks at the source.

II. **Comprehensive anti-corruption prevention measures**

In 2025, the Company's Discipline Inspection Committee performed its functions and responsibilities and implemented anti-corruption prevention measures through multiple approaches across eight key dimensions of political supervision, accountability enhancement, integrated control of misconduct and corruption, discipline education, targeted rectification, grid-based supervision, disciplinary enforcement and coordinated governance. Through these measures, the Company further strengthened its anti-corruption framework and promoted the effective implementation of anti-corruption initiatives.

1. Strengthening political supervision to ensure effective implementation of decisions: The Company organized the 2025 conference on Party conduct, integrity building and anti-corruption work, and made preparations for the re-election of the Discipline Inspection Committee and a special report to the first Party Congress. The 2025 Key Political Supervision Task List was issued to promote the implementation of 16 political supervision tasks and advance the execution of 58 items for disciplinary inspection commissioners to strengthen oversight at their respective levels. In addition, 24 key work priorities relating to Party conduct, integrity building and anti-corruption work for 2025 were issued, mobilizing all departments to jointly advance the establishment of institutional mechanisms that ensure officials "dare not, cannot, and do not want to engage in corruption".
2. Innovating supervision mechanisms and reinforcing accountability at all levels: The Company integrated peer-level supervision and routine communication into work diaries on the basis of assuming two duties at the single post, strengthening supervisory responsibilities of leadership members at the Party organizations of the Company and its subsidiaries. A total of 2,058 cases involving potential disciplinary violations were reviewed, and 151 supervision activities were conducted covering areas such as the selection of tender evaluation experts and the management of Party membership fees. Two joint meetings of the comprehensive supervision work committee were held, three supervision bulletins were issued and ten supervision reminders were proposed.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. Simultaneously investigating and addressing misconduct and corruption to purify the political ecosystem: The Company issued notices before holidays and other important occasions to strengthen integrity education and reminders. It also strictly investigated “Four Forms of Decadence” issues such as unauthorized banquet spending using public funds, private use of public vehicles, and improper distribution of allowances and subsidies. The Company arranged study and education of the Eight-Point Regulations of the Central Committee, and organized subordinate Party organizations and management personnel at middle level or above to conduct self-inspections against a list of 65 issues and promoted corresponding rectification measures.
4. Strengthening discipline education to reinforce ethical awareness: The Company published 12 issues of a special warning-education bulletin, including 34 typical disciplinary cases released by higher-level discipline inspection authorities, and encouraged all units to draw lessons from these cases and implement rectification measures. Discipline Inspection Committee secretaries at different levels delivered nine special lectures on Party discipline, achieving full coverage across 36 Party branches and 782 Party members. The Company also organized two immersive integrity education activities at prisons and anti-corruption education bases for business personnel, management at middle level or above, and key position holders. In addition, 91 management personnel at middle level or above completed integrity reporting for 2024 and signed the Honest Practice Commitment Letter for 2025. Through a combination of online and offline training, 39 full-time and part-time discipline inspection personnel participated in professional training programmes to enhance the standardization, rule-of-law compliance and professionalism of their duties. Special governance actions targeting corruption issues in engineering construction and tendering were also carried out, including verification of potential issue leads and supervisory inspections of three subsidiaries.
5. Focusing on key areas to regulate the exercise of authority: In accordance with the requirements of two specialized governance initiatives, the Company formulated a work plan to address non-compliant business operations. A total of 392 personnel completed self-declarations, reporting 2,632 instances of employee family member information and 1,243 business partner records. Six cases involving employees and their relatives were verified, and five units within the corporate system were coordinated to provide relevant information. The Company also facilitated the closure of 12 long-cycle and high-risk matters relating to meeting arrangements since 2023 and organized “rectification before inspection” self-examination and self-correction work, resolving 11 identified issues.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6. Enhancing grid-based supervision to improve oversight efficiency: The Company issued three comprehensive supervision bulletins focusing on key initiatives such as cost “three funds” control, refined management and the development of strategic emerging industries, with three responsible units being notified. By leveraging the grid-based network of discipline inspection members within Party branches, the Company expanded supervision coverage and conducted monthly reviews of discipline inspection work performance to motivate discipline inspection personnel in fulfilling their responsibilities. The Company also improved the peer supervision mechanisms for discipline inspection committees at all levels to effectively extend supervisory measures and rectification efforts to grassroots levels, thereby guaranteeing the meticulous implementation of key tasks.
7. Strictly enforcing discipline and accountability to form a strong deterrent: The Company precisely applied the “four forms” of oversight and discipline enforcement, and handled ten issue leads in accordance with regulations during the year, resulting in disciplinary sanctions imposed on four individuals and reminder interviews conducted with three individuals. Two issue leads transferred by local public security authorities and higher-level organizations were promptly and strictly investigated and resolved, with relevant cases publicly notified within the Company, thereby creating a strong deterrent effect against corruption and maintaining a sustained high-pressure stance.
8. Maintaining accessible reporting channels and strengthening collective supervision: The Company has made public both online and offline reporting channels, including petition and complaint mailboxes, reporting email addresses and reporting hotlines, ensuring convenient access and full coverage. Reports are received and registered by designated personnel and managed under encrypted procedures. The Company strictly complies with confidentiality requirements and strictly prohibits the disclosure of the identity of whistleblowers or the contents of reports. Anonymous reporting is supported and any form of retaliation is strictly prohibited. Major reported matters are promptly verified and investigated, and the handling results of real-name reports are promptly communicated, ensuring that the entire reporting process is properly documented and traceable.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART V COMMUNITY

The Company is committed to creating sustained and positive benefits for the communities in which it operates. In addition to corporate charitable activities, we support the long-term development of local communities by building community partnerships and encouraging employee volunteer services. During the reporting period, we mainly participated in community development through the following initiatives:

First, employee volunteer services: employees were organized to carry out public welfare activities such as visits and care activities for the elderly, voluntary services, voluntary blood donation and environmental protection promotion, thereby promoting the spirit of volunteerism.

Second, support through charitable donations: public welfare projects were supported in the form of funds, materials and services, and relevant parties were mobilized to participate jointly.

Third, community co-development and co-governance: platforms such as community activity centers for the elderly were established to deepen interaction with community residents and promote resource sharing and joint environmental governance.

During the reporting period, the Company took part in community activities for 62 hours, and incurred RMB0.

1. Public welfare and volunteer activities

- (1) The Company's volunteers regularly organized themed activities. Some activities involved voluntary cleaning in factory areas and communities, some involved visiting and extending care to elderly care institutions, and some involved cycling around Dianchi Lake to promote environmental protection.
- (2) The "Child Protection Initiative" launched by the Company's Youth League Committee has been carried out for three consecutive sessions. Mountain-area children, children with special needs and left-behind children were organized to visit the R&D and manufacturing base for large railway track maintenance machinery, allowing them to experience the wonder of national strategic equipment and promoting their physical and mental development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- (3) The “One Piece of Clothing Equals One Piece of Love” activity, co-organized with the Kunming Municipal Committee of the Communist Youth League, saw volunteers entering communities to promote the recycling of used items. Collected clothing and used items were sorted and then centrally collected by the Kunming Youth Development Foundation and donated to institutions, families and individuals in need in poverty-stricken areas.
- (4) The Company’s labour union actively organized employees to participate in voluntary blood donation. A total of 34 employees registered voluntarily and donated 11,900 milliliters of blood, demonstrating the spirit of volunteerism through practical action.

2. Community co-development initiatives

- (1) In January, the Party branch of the Company’s logistics department and the Party branch of Xingfu Linli Community jointly organized a themed Party Day activity of “Party Building Leadership to Address Challenges in Urban Renewal”, formally launching annual renovation collaboration. Both parties conducted in-depth discussions on key issues and established a regular communication mechanism. Through regular consultations, online coordination and zone-based responsibility allocation, project progress was followed up, community feedback was collected and bottlenecks were addressed to ensure that renovation works aligned with residents’ needs. Relying on the Party-building partnership, the logistics department secured a government-supported urban renewal project and completed upgrades to residential areas for employees and the former training center building, including stairways, railings, street lighting, greenery and fitness equipment, which significantly improved the environment and achieved an asset appreciation of approximately RMB3 million.
- (2) In February, Liu Hui, vice chairman of the Kunming Federation of Trade Unions, and his delegation visited the Company to review the construction of the practical training base of the Yunnan Craftsman College Kunming Campus. The Company deeply implemented the reform initiatives for the development of industrial workforce and, under the guidance of trade unions at all levels, steadily promoted the construction of the training base. Through skills training and the cultivation of model workers and craftsmen, efforts were made to build a highly skilled industrial workforce and support the high-quality development of both the Company and the local economy.
- (3) In May, the Company, together with the Guandu District Federation of Trade Unions, organized a “May Day” Model Worker Symposium to promote the spirit of model workers and share stories of dedication and perseverance. Liu Jie, a National Model Worker, delivered speeches at model worker forums of Guandu District and Kunming City. Drawing on his thirty years of experience in the large railway track maintenance machinery industry, he shared stories of dedication to his position, technological innovation and hard work, and expressed his determination to cherish the honour and make further contributions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART VI ENVIRONMENTAL PROTECTION

The Company has always adhered to the concept of green development, strictly following the national major strategic deployments on carbon peaking and carbon neutrality. It has deeply integrated environmental protection and green low-carbon development into its strategic planning, production and operations, as well as the full lifecycle management of its products. By improving its environmental management system, strengthening full-process control of emissions, deepening refined management of energy use, and implementing green and low-carbon development strategies, the Company systematically promotes the synergistic enhancement of ecological and environmental protection and high-quality corporate development, effectively fulfilling its environmental social responsibilities and mission. No unexpected environmental incident and environmental pollution accident occurred during the reporting period, and all pollutant emissions complied with national standards, with significant achievements in green development.

I. Governance

The Company has established a multi-dimensional climate governance framework characterized by overarching leadership from the Board, professional oversight by the Strategy and ESG Committee of the Board, and tiered implementation by management. This framework systematically integrates the management of climate-related risks and opportunities into the corporate governance system, forming a long-term mechanism that combines strategic guidance, professional assessment and efficient execution.

The Board holds ultimate responsibility for the Company's environmental governance strategy, management, performance and reporting. Board members possess the appropriate skills, experience and perspectives to oversee the Company's strategies related to climate-related risks and opportunities. The Board convenes at least once meeting annually to formulate, monitor and evaluate strategies concerning climate-related risks and opportunities associated with the Company's operations.

As the core supervisory body, the Strategy and ESG Committee of the Board fully leverages its comprehensive professional expertise in strategic decision-making, risk management and independent oversight. Members of the Strategy and ESG Committee are appointed by the Board, with one member serving as the chairman, and two non-executive Directors and two independent non-executive Directors acting as committee members. The Strategy and ESG Committee fulfills its oversight duties through the following mechanisms:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. Capability building: Continuously monitoring climate policies, industry standards and regulatory developments, regularly assessing duty performance capability in the context of the Company's business operations to ensure it possesses the professional competence to oversee climate strategy and risk control;
2. Information acquisition: Regularly receiving special briefings and reports from management, obtaining materials on climate risk identification, emissions reduction progress compliance analysis, etc., to systematically grasp climate-related developments;
3. Strategic oversight: When reviewing the Company's strategy, major investments and risk management policies, incorporating climate factors as a key evaluation criterion, conducting trade-off analyses, and promoting the establishment of climate risk management processes integrated into the corporate governance system;
4. Target assessment: Approving climate action targets and implementation pathways, incorporating ESG-related performance indicators into the management appraisal system, and continuously monitoring progress. During the reporting period, the Company has not yet incorporated climate-related performance indicators into its remuneration policies. The Strategy and ESG Committee reports annually to the Board on climate supervision-related risks and opportunities to ensure compliance in environmental and climate matters.

Meanwhile, the Company delegates climate management responsibilities to the executive management level and cross-functional departments. They are responsible for deeply integrating work on carbon management, energy efficiency and green procurement with the functions of various departments such as production and operation, risk management, compliance management and investment management, thereby enhancing climate governance effectiveness through coordinated action. The executive management reports annually to the Strategy and ESG Committee on implementation progress, forming a closed-loop management system of "supervision – execution – feedback – improvement".

Additionally, to ensure that the Board, the Strategy and ESG Committee and management are well-informed about environmental and climate-related risks and opportunities, the Company invites third parties to provide annual training on environment and climate-related topics.

Through the above coordinated governance and execution mechanisms, the Company continuously promotes the identification, response to, and strategic integration of climate risks, thereby systematically enhancing sustainability resilience and low-carbon transformation capabilities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. Strategies

1. *Climate-related risks and opportunities*

The risks identified by the Company are primarily climate-related transition risks. First, the potential reduction in customer demand for high-emission products or services will drive the Company to design more green products and provide more environmentally friendly services. This risk represents a long-term trend with both short-term and medium- to long-term impacts on the Company. Second, China's goals of achieving carbon peaking by 2030 and carbon neutrality by 2060 will require the Company to reduce its carbon emissions in the future. This risk has a relatively significant short-term impact on the Company.

Additionally, the primary climate-related physical risks include heavy rainfall and the long-term risks associated with rising average temperatures.

The Company defines short-term risks as those expected to impact the Company within five years, medium-term risks as those impacting the Company within five to ten years, and long-term risks as those impacting the Company beyond ten years. Short-term risks are addressed within the Company's five-year plan, while medium and long-term risks are incorporated into the Company's medium-to-long-term development plan.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Business model and value chain

Changes in customer demand will drive the Company to design and procure more environmentally friendly parts and components, affecting its short-term and medium- to long-term business operations. China's goals of carbon peaking by 2030 and carbon neutrality by 2060 will have an impact on the Company's long-term business, primarily reflected in product design aspects. Details are shown in the table below:

Common climate-related risks and their potential impacts on the business model and value chain of the Company

Risk type	Climate-related risk	Impact on business model	Impact on value chain
Climate-related physical risks			
Acute risk	Heavy rain, flooding	Negatively impact production facilities;	Decreased production capacity
Chronic risk	Rising average temperatures	Negatively impact employee safety and health	
Climate-related transition risks			
Policy risk	Mandatory regulations on product emissions	Strengthen research and development of new and alternative products	Demand for high-emission products and services will decrease
Technology risk	Substitution of existing products and services with lower-emission options		
Market risk	Changes in customer demand		

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. *Strategy and decision-making*

The Company plans to meet China's 2030 carbon peaking target through the research and development of new and alternative products, aiming to achieve a reduction of over 20% in carbon dioxide emissions per RMB10,000 of output value by 2030 compared to the 2020 level. The Company has already developed green energy products and plans to develop more new energy products in the future. The Company's climate-related transition plan primarily focuses on increasing technological upgrades to provide customers with more green energy products, and it intends to achieve its climate-related goals through the upgrading of technology and parts and components.

In 2025, the Company's carbon dioxide emissions per RMB10,000 of output value were 0.0272 tons/RMB10,000, a decrease of 40.87% from the 2020 baseline of 0.046 tons/RMB10,000, meeting the phased carbon emission control target ahead of schedule.

4. *Climate resilience*

In accordance with Part D of the Environmental, Social and Governance Reporting Code of the Stock Exchange, the Company conducted an assessment of its operations to measure its climate resilience under various future climate conditions. This assessment utilized data and assumptions from the Intergovernmental Panel on Climate Change (IPCC) of the United Nations, assuming transition risks under two different climate scenarios. As current climate research is still evolving, available information and data have certain limitations, and the accuracy of predictions is constrained by various factors, leading to a degree of uncertainty in the scenario analysis results.

General assumptions Under both the high-emissions (3°C) and low-emissions (1.5°C) scenarios, the Company tests its climate resilience by identifying potential climate-related transition risks and opportunities.

Input data All of the Company's business units in Mainland China are included in the scope of the scenario analysis;

The selected time horizons for analysis are 2030 and 2060;

The Company has identified changes in customer demand as a key input for assessing potential impacts;

The Company anticipates that the proportion of new energy products will increase.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Scenario assumptions	The Company assumes that customer demand for new energy products will gradually increase in the future.
Scenario selection	The Company selected both the high-emissions (3°C) and low-emissions (1.5°C) scenarios from the Intergovernmental Panel on Climate Change (IPCC) of the United Nations to assess transition risks.
Scenario analysis method and results	Under both the high-emissions (3°C) and low-emissions (1.5°C) scenarios, the Company anticipates that the shift in customer demand will drive the Company to develop more new energy products, leading to increased R&D investment in new and alternative products.

5. *Financial impact*

During the reporting period, the transition risks did not impact the Company's financial position, financial performance or cash flows.

Due to the shift in customer demand, the Company will increase its R&D investment in new energy products and reduce R&D investment in traditional energy-consuming products. However, it is not possible to quantitatively measure the expected future financial performance.

Based on the Company's climate strategy, the proportion of new energy products or services is expected to gradually increase in the future. Its short-term impact on the Company's financial position, financial performance or cash flows is limited, with the impact on the Company's R&D expenses primarily increasing over the medium to long term.

III. **Risk Management**

The Company's overall risk management ensures the proper identification, assessment, management and monitoring of key corporate risks, with climate risk management being an integral part of the Company's risk management framework. To identify and assess relevant climate risks, the Company considers the probability of occurrence and the magnitude of impact. Through analysis, the identified risks are prioritized and reported periodically.

The Company determines the transition risks of its business through climate-related scenario analysis. Through this scenario analysis, the Company's most significant climate risk is currently the transition risk arising from changes in customer demand.

The Company's risk management model also ensures the implementation of regular risk assessments and a risk monitoring cycle to understand risks and assess the need to update risk tolerance.

While identifying and assessing climate risks, the Company also identifies and evaluates climate-related opportunities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IV. Metrics and Targets

1. Greenhouse gas emissions

In accordance with the Guidelines for Accounting and Reporting Greenhouse Gas Emissions of Machinery and Equipment Manufacturing Enterprises (Trial) (NDRC Office Climate [2015] No. 1722) issued by the National Development and Reform Commission of China, and the requirements of the Announcement on the 2022 Power Carbon Dioxide Emission Factors (Announcement 2025 No. 33) jointly issued by the Ministry of Ecology and Environment and the National Bureau of Statistics, the Company has selected emissions from fossil fuel combustion within the organizational boundary (including subsidiaries), emissions from industrial production processes, and emissions from purchased electricity and heat. During the reporting period, the Company's Scope 1 and Scope 2 greenhouse gas emissions data are as follows:

Greenhouse gas category	2025 CO₂ equivalent emissions	2024 CO₂ equivalent emissions	Year-on-year increase
Scope 1	3,065.16	2,739.63	11.88%
Scope 2 (location-based)	6,909.84	5,696.28	21.30%
Total	9,975.00	8,435.91	18.24%
Carbon dioxide emissions per RMB10,000 of output value (ton/RMB10,000)	0.0272	0.0263	3.42%

Scope 1 includes emissions from fossil fuel combustion and emissions from carbon dioxide shielding gas used in welding during the Company's production processes. The calculation method involves applying third-party emission factors based on expenditures for purchased goods.

Scope 2 includes emissions from purchased electricity. The Company has entered into a High-Voltage Power Supply Contract with Kunming Power Supply Bureau of Yunnan Power Grid Co., Ltd. (a subsidiary of China Southern Power Grid) for power supply to the Company, which specifies details such as the electricity usage address, nature of usage, industry classification, type of electricity, capacity, supply method, power quality, as well as the demarcation of ownership and maintenance responsibilities for power supply and receiving facilities. The calculation method involves applying third-party emission factors based on expenditures for purchased electricity.

The Company has commenced identification of Scope 3 emissions to prepare categories and an inventory of Scope 3 greenhouse gas emissions, and expects to disclose Scope 3 emissions data in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate-related transition risks, physical risks and related opportunities

As of 31 December 2025, the Company has not identified any assets or business activities related to climate transition risks.

As of 31 December 2025, the Company has not identified any assets or business activities related to climate physical risks.

As of 31 December 2025, the Company has not identified any assets or business activities related to climate-related opportunities.

As of 31 December 2025, the Company has not incurred any capital expenditure, financing or investment related to climate-related risks and opportunities.

Carbon pricing

As of 31 December 2025, the Company has not applied carbon pricing in climate-related decision-making.

Climate-related targets

To support China's national strategic goals of achieving carbon peaking by 2030 and carbon neutrality by 2060, the Company has established the following carbon peaking and carbon neutrality targets: By the end of 2030, the Company (including subsidiaries in mainland China) will achieve a reduction of more than 20% in carbon dioxide emissions per RMB10,000 of output value compared with the 2020 baseline (this target has already been achieved as at the end of 2025). By the end of 2055, the Company (including subsidiaries in mainland China) will achieve carbon neutrality. Although the Company has not yet established climate-related targets in line with international climate agreements, the purpose of its climate targets aligns with the original intent of such international climate agreements.

The above targets cover total Scope 1 and Scope 2 greenhouse gas emissions and were not developed using industry decarbonization methodologies. As of 31 December 2025, the Company has no plans to use carbon credits to offset greenhouse gas emissions in order to achieve its greenhouse gas emissions targets.

The Company's targets and the methodologies for setting them have not been verified by a third party. However, to ensure the achievement of the above targets, the Company has established review procedures to monitor progress towards the targets.

Achieving the Company's climate-related targets will help reduce its Scope 1 and Scope 2 greenhouse gas emissions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. Establishment and Operation of Environmental Management System

1. *Standardized system certification remains valid*

The Company established and obtained certification for its Environmental Management System in 2013 in accordance with the GB/T24001:2004 environmental management system standard. The system was upgraded and recertified in 2016 according to the ISO 14001:2015 standard. In 2022, the Company passed the recertification for the GB/T24001-2016/ISO14001:2015 system and maintained the environmental management system certification. In 2025, the Company passed the recertification for the GB/T24001-2016/ISO14001:2015 system and maintained the environmental management system certification.

2. *Implementation of improved management system framework*

The Company strictly collects, identifies and complies with national environmental protection laws and regulations. Based on its actual production and operations, it has established an environmental management system framework covering the entire process. Multiple systems have been formulated, including the "Management and Control Procedures of Pollutant Emission", "Management System on Waste Goods and Materials", "Monitoring & Measuring Control Procedures of Environmental and Occupational Health and Safety Performance" and "Control Procedures of Environmental Resources". The Company strictly adheres to national standards such as the "Integrated Emission Standard of Air Pollutants", "Integrated Wastewater Discharge Standard" and "Emission Standard for Industrial Enterprises Noise at Boundary".

3. *Comprehensive implementation of routine management measures*

The Company has implemented a series of routine management measures with focus on effective implementation of environmental management system, promotion of clean production, emergency response capability building, hazardous waste control and supervision of information disclosure to ensure effective environmental protection outcomes:

- (1) Strengthening system operation and maintenance: Establishing a routine system audit mechanism, conducting regular internal inspections and audits annually, engaging external certification bodies for special audits, and continuously optimizing system operation processes to ensure effective system implementation.
- (2) Deepening clean production: Continuously advancing the development of a qualified cleaner production enterprise. By implementing clean production plans, the Company reduces waste generation and energy consumption at the source, thereby enhancing energy conservation and emission reduction effects. In 2024, the Company successfully passed the "Clean Production Audit" and the evaluation for "Qualified Enterprise for Cleaner Production in Yunnan Province" by Kunming Ecological Environment Bureau.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- (3) Improving emergency management: Establishing a comprehensive emergency management system for environmental incidents, consisting of comprehensive plans, special emergency plans, and on-site disposal plans. The Emergency Plan for Environmental Emergencies was revised in 2024 and has been filed with Kunming Ecological Environment Bureau. A routine emergency drill mechanism has been established. In 2025, the Company completed six environmental pollution incident emergency drill plans, significantly enhancing its capability to handle environmental incidents.
- (4) Standardizing hazardous waste management: Focusing on hazardous waste control as a key aspect of environmental protection work. A special management system has been established, ensuring designated storage, responsible personnel and clear records for hazardous waste. In 2025, the Company's management satisfied with the assessment requirements of standardized management of hazardous wastes of Kunming Environmental Protection Bureau.
- (5) Promoting information disclosure: Strictly implementing requirements for disclosing pollutant discharge data, regularly publishing environmental monitoring results on the national pollutant monitoring platform, actively accepting public supervision and enhancing the transparency of environmental protection work.

VI. Full-Process Control and Management of Emissions

The Company adheres to the emission management principle of "source prevention, process control, and end-of-pipe treatment", strictly complies with international conventions and domestic regulations related to air pollution, and has formulated various control measures to comprehensively strengthen the full-process management of emissions including wastewater, exhaust gas, noise and solid waste (including hazardous waste), continuously improve environmental management measures, enhance the level of resource recycling, and ensure all emissions are compliant and meet relevant standards.

1. Emission monitoring and control effectiveness

The Company formulates an annual monitoring plan in strict accordance with the requirements of its pollutant discharge permit and engages third-party monitoring agencies to conduct comprehensive emission monitoring. All pollutant emissions (concentrations) remain within the limits approved under the pollutant discharge permit, achieving full compliance for wastewater, exhaust gas and noise emissions.

Wastewater discharge: In 2025, a total of 76,980 tons of wastewater was treated, with 76,150 tons reused and 833 tons discharged externally. The externally discharged wastewater contained 0.0136 tons of chemical oxygen demand and 0.000234837 tons of ammonia nitrogen. Wastewater indicators met the Class IA standard under the Discharge Standard of Pollutants for Urban Sewage Treatment Plant. The annual wastewater recycling rate reached 99%, exceeding the annual waste reduction target of no less than 90%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Exhaust gas emission: The main air pollutants are benzene, toluene, xylene, and non-methane total hydrocarbons, with 2025 emissions of 0.201942 tons, 0.12971 tons, 0.224101 tons and 0.357364 tons, respectively. Dust and benzene series emissions met the Class II standard under the Integrated Emission Standard of Air Pollutants.

Noise at factory boundary: Through various noise reduction measures, the noise at the factory boundary met the Class II standard under the Noise Standard for Industrial Enterprises at the Factory Boundary.

Statistics of total greenhouse gas generated from the consumption of gasoline and diesel oil during the Company's production process in 2025 are summarized as follows:

Category	Activity data	Greenhouse gas	Emission (tCO ₂ e)	Unit consumption (tCO ₂ e/unit)
Diesel oil	684.45 tons	CO ₂	2,119	24.93
		CH ₄	1.49	0.02
		N ₂ O	33.58	0.40
Gasoline	0 ton	CO ₂	0	0
		CH ₄	0	0
		N ₂ O	0	0

Statistics of various kinds of waste goods and materials during the Company's production process in 2025 are summarized as follows:

General waste (non-hazardous):

Category	Weight (ton)	Unit weight (ton/unit)
Steel scrap	561.1	6.60
Iron scurf	362	4.26
Aluminium scrap	11.66	0.14
Waste wire	15.22	0.18
Oxidizing slag	121.27	1.43
Molten casting of steel scrap	827.37	9.73
Waste wooden boards	Recycled	
Waste oil barrels	172 pieces	2.02

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Hazardous waste (harmful):

Category	Weight (ton)	Unit weight (ton/unit)
Waste spongy filter	19.125	0.23
Emulsion	11.919	0.14
Waste paints	4.729	0.06
Waste paint pot	13.839	0.16
Mineral oils	92.08	1.08
Resin barrel	11.105	0.13
Used toner cartridges	0.013	0.00
Waste battery	11.7	0.14
Waste paint sludge	16.242	0.19

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Statistics of total consumption of packaging materials during the production process of the Company in 2025 are summarized as follows:

No.	Material	Model and Specification	Unit	Consumption
1	Wooden box for export	1,100*950*950	piece	1,260
2	Ordinary carton	350mm × 250mm × 250mm	piece	160
3	Ordinary carton	150mm × 100mm × 100mm	piece	120
4	Packaging plywood	12mm	square	6,722
5	Packaging plywood	18mm	square	20,134
6	Ink graffiti remover (ZEP)	WRITE AWAY	barrel	845
7	Scotch tape	60mm	roll	1,720
8	Tin strap	18mm*50KG	roll	50
9	Rustproof bag	1,150 × 1,150 × 1,550	box	65
10	Steel nail row	ST-64	box	320
11	Woven bag with double inner membrane	120*152	piece	1,300
12	Composite vapor phase antirust protective film TL-024	1mX100m	roll	96
13	Canvas guard	2,400X1,100X1,100	piece	210
14	Canvas guard	300X100	piece	210
15	Ordinary carton	600x300x300	piece	820
16	Rust remover (ZEP)	147,024 (3.78KG/barrel)	bottle	63
17	Long-acting anticorrosive coating (ZEP)	13OZ/bottle	barrel	412
18	Powerful oil remover for aviation	200Z/bottle	barrel	134

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. *Classified treatment technologies and measures*

The Company equips professional treatment equipment and adopts advanced treatment technologies tailored to the characteristics of different emissions, implementing classified and refined treatment. In addition, it strengthens the recycling of waste materials to reduce the environmental impact at the source.

During the reporting period, the Company's key activities in emission management included:

(1) *Wastewater treatment*

The Company operates two wastewater treatment stations, one in Zone 44 with a daily treatment capacity of 800 cubic meters, and one at Ruiweitong Company with a daily treatment capacity of 50 cubic meters. Both utilize the A/O2 treatment process, and the treated wastewater meets the Class IA standard. In September 2025, the Company obtained the "Permit for Discharging Wastewater into Urban Sewer Networks". All production and domestic wastewater from the plant area, after pre-treatment meeting standards, is now connected to the municipal pipeline network. Meanwhile, the Company vigorously promotes reclaimed water reuse, with a total of 76,150 cubic meters of reclaimed water reused in 2025, primarily for large railway track maintenance equipment rain tests, site cleaning, dust reduction and greening, significantly improving water resource utilization efficiency.

(2) *Exhaust gas treatment*

Specialized treatment processes are adopted for different types of exhaust gas to achieve efficient purification and compliant emissions. General dust is discharged into high-altitude air through centrifugal air compressor after being filtered by dust extractor of the equipment, and more than 90% of the dust will be reduced. Welding fume is treated by layered air-supplying method, of which the treatment system is comprised of dust extracting, secondary air stream supplying and controlling systems. With a filter core made of durable polyester which is of low absorbability for viscous dust, the dust extractor reaches efficiency of 99.9%. For spray painting, the Company adopts integrated equipment with functions of spray painting, drying and purification, the air is treated in stages through the "three-stage filtration process involving dry filter cotton + activated carbon fiber organic exhaust gas purification device + catalytic combustion", which significantly filters paint mist and adsorbs organic exhaust gas. The drying stage uses natural gas as a clean energy source, effectively reducing the generation of VOC emissions and achieving clean production.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(3) *Noise treatment*

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

(4) *Waste materials*

Management of general waste materials: The Company strengthens the trainings for waste materials management personnel to learn about state laws and regulations and operating procedures; signs letter of responsibility with key units regarding environmental protection and organizes assessment; maximizes classification and recycling of recyclable waste materials; and engages a third-party organization to regularly monitor and publicize the Company's important environmental indicators and occupational hazards each year.

Management of hazardous waste materials: The Company controls generation at the source by using clean energy and advanced equipment, procuring materials that meet environmental requirements, and improving conversion rates; implements classified collection, designated storage and dedicated personnel management and standardizes the construction of hazardous waste storage facilities; signs disposal agreements with qualified entities such as Yunnan Dadi Fengyuan Environmental Protection Co., Ltd. and Yunnan Guanglai Renewable Resources Co., Ltd. to ensure the harmless disposal of hazardous waste; and conducts regular environmental emergency drills to enhance emergency response capabilities for hazardous waste control.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. *Remanufacturing and resource recycling practices*

The Company integrates the concept of green and low-carbon practices throughout the entire product lifecycle, vigorously develops remanufacturing and resource recycling businesses, and has established a circular industrial model. This creates synergy with waste material management, thereby further enhancing resource utilization efficiency and reducing the operational impact on the environment.

In the remanufacturing field, the Company has established a comprehensive technical system and business model. By professionally restoring and retrofitting used equipment, it regenerates resource value. In 2025, the Company successfully completed the remanufacturing of 71 large railway track maintenance equipment. Compared to manufacturing new machines, this saves approximately 60% energy, 70% materials, and reduces costs by about 50%, creating significant economic and environmental benefits.

In terms of resource circulation, the Company prioritizes the use of renewable materials in the production process. For example, the foundry division uses 100% recycled scrap steel. Additionally, it promotes green processes such as laser cleaning and ultrasonic cleaning to replace traditional high-pollution methods. Production waste is sorted for recycling and compliant disposal. In 2025, the Company recycled approximately 2,400 tons of scrap steel, achieved full recycling and reuse of waste wooden boards, processed 362 tons of iron scurf, 15.22 tons of waste wire and other materials, and 11.66 tons of aluminium scrap, deeply practicing the principles of circular economy.

VII. **Energy Management**

The Company aims to build a resource-conserving and environmentally friendly enterprise, strictly complies with national and industry regulations such as the “Environmental Protection Law” and the “Energy Conservation Law”, and diligently carries out energy conservation and emission reduction work. By improving the energy management system, strengthening comprehensive energy-saving and consumption-reduction governance, increasing investment in energy-saving and carbon-reduction projects, and fostering a green and low-carbon culture, the Company continuously enhances energy utilization efficiency and reduces energy consumption and carbon emission intensity, achieving significant results in energy conservation and carbon reduction.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. *Comprehensive management of energy conservation*

- (1) Regular data reporting: Strictly following local government requirements, the Company submits energy consumption reports and summary reports on time to the Statistics Bureau of Guandu District in Kunming, and responds to occasional inquiries from the Kunming and Guandu District Economic and Trade Bureaus/Statistics Bureaus and the Water Conservation Office.
- (2) Themed publicity activities: Each year, the Company organizes activities for National Energy Conservation Publicity Week and National Low-carbon Day, compiles activity summary reports, and submits them as required, promoting green and low-carbon concepts.
- (3) Targeted project investment: Focusing on areas such as energy system optimization, process equipment upgrades and resource recycling, the Company invested a total of RMB10.9991 million in key technical transformation projects during the year, comprehensively enhancing energy-saving capabilities:
 - (i) Energy systems: RMB470,000 invested to complete intelligent reactive power compensation upgrades in nine distribution rooms; RMB284,200 invested to upgrade the intermediate frequency furnace filtering system, improving grid quality and reducing harmonic losses;
 - (ii) Process equipment: RMB303,300 invested to upgrade motors on the steel pre-treatment line to Level 1 energy efficiency motors; RMB8.9948 million invested to introduce an automated sandblasting system, achieving green and clean production;
 - (iii) Technology substitution: RMB395,500 invested to adopt ultrasonic cleaning technology to replace traditional processes; RMB301,300 invested to promote LED energy-saving lighting and intelligent sensor controls, reducing energy consumption at the process level;
 - (iv) Infrastructure: RMB50,000 invested in water supply pipeline maintenance to eliminate water leakage and improve resource utilization efficiency.
- (4) Comprehensive publicity and education: Combining the themes of National Energy Conservation Publicity Week and Low-carbon Day, the Company promotes green and low-carbon concepts through diverse channels; organizes special training on industrial energy conservation and energy management systems to enhance the professional capabilities of 61 key personnel; carries out cultural activities such as “Low-carbon Life, Walk for Health” to foster a positive atmosphere of full participation in energy conservation and carbon reduction.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. Core indicators for energy conservation and carbon reduction

In 2025, despite facing pressure on energy consumption growth due to industrial structure adjustments, increased energy consumption for new product testing and validation and a higher proportion of remanufacturing business, the Company achieved multi-dimensional optimization in energy consumption, carbon emissions and water use efficiency through a series of energy efficiency improvement measures, exceeding various control targets:

Statistics of total energy consumption during the production process of the Company in 2025 are summarized as follows:

Category	Total consumption	Unit consumption
Electricity	19.3307 million kWh (including 4.5849 million kWh of PV electricity)	227,400 kWh/unit
Diesel oil	684.45 tons	8.05 tons/unit
Natural gas	407,600 standard cubic meters	0.48 m ³ /unit
Water	243,469 m ³	2,864.34 m ³ /unit

- (1) Energy saving indicators: Annual total energy consumption was 3,821.43 tons of standard coal equivalent (tce), a year-on-year increase of 10.56%. However, the comprehensive energy consumption per RMB10,000 of output value decreased to 0.01066 tce/RMB10,000, a year-on-year decrease of 0.31%, and a decrease of 27.48% compared to the 2020 baseline, fully meeting the annual control target of 0.012642 tce/RMB10,000.
- (2) Water efficiency indicators: The annual cumulative production water usage was 245,700 tons. The comprehensive water consumption per RMB10,000 of output value was 0.76 tons/RMB10,000, meeting the requirements for metal processing machinery manufacturing enterprises in the Water Consumption Quota of Yunnan Province (2019 Edition) and significantly better than the general benchmark of 15 m³/RMB10,000. The industrial water reuse rate reached 90.01%, and the water intake (fresh water) per unit of output value was 0.68 m³/RMB10,000, a year-on-year decrease of 10.66%, indicating continuously improving water resource utilization efficiency. During the reporting period, the Company did not encounter any difficulties in sourcing applicable water for its production and operations, ensuring stable water supply.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. *Energy conservation, carbon reduction, and green upgrades*

Focusing on three key areas of green equipment R&D, carbon management system development and ecological carbon sink development, the Company achieved breakthroughs in both green technology and carbon management capabilities, steadily enhanced its ecological carbon sink capacity, and comprehensively promoted in-depth and practical green and low-carbon development.

In terms of upgrading equipment technology for green development, the Company deepens its efforts in the field of large railway track maintenance equipment, continuously advancing the iterative upgrade of traditional diesel engine emission technologies to significantly reduce pollutant emissions from existing equipment. In addition, it focuses on R&D for zero-emission pure electric drive models using “overhead contact line + power battery” systems, successfully launching multiple new energy equipment models such as the DJZE-510 new energy overhead line maintenance vehicle and the WED-400III battery-powered engineering vehicle. In particular, the WED-400III battery-powered engineering vehicle has been promoted in batches in the urban rail market, reducing carbon emissions by 400 tons per unit annually, while completely solving the exhaust pollution problem associated with operations in enclosed spaces, achieving dual improvements in equipment greening and intelligence.

In terms of construction of carbon management technology system, the Company achieved a landmark breakthrough in product carbon footprint work by successfully issuing the DC32 Tamping Machine Product Carbon Footprint Evaluation Report and obtaining the corresponding carbon footprint certificate. This marks significant progress in full lifecycle carbon management for large railway track maintenance equipment in China, elevating the Company’s carbon management technology to an advanced level in the industry. Through comprehensive green development practices, the Company was successfully recognized as a national-level “Green Factory”.

In terms of cultivating ecological carbon sink capacity, the green coverage rate within the Company’s land area reaches 30%. It has cumulatively invested in planting 9,583 trees with a canopy diameter of over 5 meters, resulting in an annual carbon sequestration of approximately 220.41 tons by trees. The Company continues to hold the titles of “Gardening Unit of Kunming City” and “Gardening Unit of Yunnan Province”, steadily enhancing its ecological carbon sink capacity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. *Green brand building and exchange*

The Company proactively leverages high-end domestic and international exhibitions and authoritative exchange platforms to systematically showcase its innovative achievements in safe, efficient, intelligent and green equipment, deepen industry exchanges and collaborative cooperation, and lead the industry's green and low-carbon transformation through concrete actions.

It actively participated in six major industry exhibitions and forums, including the China International Modern Railway Technology and Equipment Exhibition, the China International Supply Chain Expo, the World Manufacturing Convention, and the Guangzhou Greater Bay Area International Rail Transit Industry Exhibition, to comprehensively demonstrate the Company's technological breakthroughs and practical achievements in green equipment R&D, equipment remanufacturing and carbon asset management, thereby continuously enhancing its brand influence and industry recognition.

Multiple core innovative products received high recognition from national platforms: The CQS-300K side-cut ballast cleaning machine was showcased as a representative advanced achievement in China's railway track maintenance equipment at the 2025 World Congress on High-Speed Rail; the TX-100K tunnel coal dust cleaning vehicle was successfully selected for the "Building the Foundation for a Strong Country – China Manufacturing '14th Five-Year' Achievements Exhibition" jointly organized by the Ministry of Industry and Information Technology and the National Museum, fully demonstrating the Company's strong technological capabilities and green brand value.

The Company continues to deepen cooperation with industry peers, research institutes and other stakeholders, focuses on cutting-edge fields such as zero-carbon factories and smart energy for technological breakthroughs and experience sharing. By pooling industry expertise and innovative resources, we jointly explore new pathways and models for green and low-carbon development, and promote the overall green, low-carbon and high-quality transformation of the rail transit and related industries through collaborative innovation.

AUDITOR'S REPORT

Zhi Tong Shen Zi (2026) No. 110A005452

TO THE SHAREHOLDERS OF CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

I. OPINION

We have audited the accompanying financial statements of CRCC High-Tech Equipment Corporation Limited ("CRCCE"), which comprise the consolidated balance sheet and the balance sheet of the Company as at 31 December 2025, the consolidated income statement and income statement of the Company, the consolidated cash flow statement and the cash flow statement of the Company, and the consolidated statement of changes in shareholders' equity and statement of changes in shareholders' equity of the Company for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2025, and the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

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

III. KEY AUDIT MATTERS

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

AUDITOR'S REPORT

Recognition of revenue

For details of relevant disclosures, please refer to Note III-25 and Note V-40 to the financial statements.

1. Description

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

2. Audit response

Our major audit procedures for the revenue recognition include:

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

AUDITOR'S REPORT

IV. OTHER INFORMATION

Management of CRCCE (the "management") is responsible for the other information. The other information comprises all of the information included in the 2025 annual report of CRCCE, other than the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

AUDITOR'S REPORT

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

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

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

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

AUDITOR'S REPORT

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

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

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

Grant Thornton Zhitong
Certified Public Accountants LLP

Beijing, the PRC

Certified Public Accountant of China
(Engagement Partner)
Certified Public Accountant of China
27 March 2026

CONSOLIDATED AND COMPANY BALANCE SHEET

31 December 2025

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Notes	Closing balance		Closing balance for the previous year	
		Consolidated	Company	Consolidated	Company
Current assets:					
Cash and bank balances	V-1	1,755,936,330.66	1,568,022,458.77	1,746,956,785.12	1,577,589,176.76
Held-for-trading financial assets					
Bills receivable	V-2 XIV-1	325,504,556.47	281,239,581.64	350,244,218.18	349,947,247.88
Accounts receivable	V-3 XIV-2	2,011,859,313.13	1,759,723,312.66	1,729,218,766.73	1,575,526,829.22
Receivables financing	V-4	28,604,324.82	28,155,130.30	65,414,758.27	58,771,032.37
Prepayments	V-5	93,571,223.35	91,168,755.86	65,341,847.66	63,575,256.32
Other receivables	V-6 XIV-3	40,581,746.07	171,877,787.18	30,297,749.85	174,063,050.38
Including: Interest receivable					
Dividend receivable					
Inventories	V-7	2,867,948,259.09	2,584,198,204.27	2,877,622,541.32	2,647,917,012.20
Contract assets	V-8	3,149,455.77	1,499,731.00	15,421,013.38	2,366,483.74
Assets held for sale					
Non-current assets due within one year	V-9	4,812,090.44	4,812,090.44		
Other current assets	V-10	10,813,303.02	9,534,834.49	11,880,506.61	8,284,996.27
Total current assets		7,142,780,602.82	6,500,231,886.61	6,892,398,187.12	6,458,041,085.14

CONSOLIDATED AND COMPANY BALANCE SHEET

31 December 2025

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Notes	Closing balance		Closing balance for the previous year	
		Consolidated	Company	Consolidated	Company
Non-current assets:					
Debt investments					
Other debt investments					
Long-term receivables	V-11	5,428,865.79	5,428,865.79		
Long-term equity investments	XIV-4		417,576,012.32		417,576,012.32
Other equity instrument investments	V-12	502,642,000.00	502,642,000.00	469,616,000.00	469,616,000.00
Other non-current financial assets					
Investment property	V-13	64,003,697.55	64,003,697.55	23,363,374.96	23,363,374.96
Fixed assets	V-14	1,271,804,569.53	1,155,100,930.88	1,379,185,618.18	1,262,989,267.33
Construction in progress	V-15			6,075,838.08	5,899,624.87
Productive biological assets					
Oil and gas assets					
Right-of-use assets	V-16	11,566,558.61		15,242,819.93	
Intangible assets	V-17	306,674,671.33	165,953,652.99	316,392,668.69	171,163,255.85
Development expenditure					
Goodwill	V-18	12,488,542.97		12,488,542.97	
Long-term deferred expenses	V-19	14,115,935.43		14,760,513.65	
Deferred income tax assets	V-20	8,077,953.94		8,271,323.55	
Other non-current assets	V-21	13,279,970.00	13,279,970.00	13,080,491.60	12,380,490.00
Total non-current assets		2,210,082,765.15	2,323,985,129.53	2,258,477,191.61	2,362,988,025.33
Total assets		9,352,863,367.97	8,824,217,016.14	9,150,875,378.73	8,821,029,110.47

CONSOLIDATED AND COMPANY BALANCE SHEET

31 December 2025

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Notes	Closing balance		Closing balance for the previous year	
		Consolidated	Company	Consolidated	Company
Current liabilities:					
Short-term borrowings					
Held-for-trading financial liabilities					
Bills payable	V-23	606,019,885.81	610,849,170.51	546,907,509.65	548,035,752.35
Accounts payable	V-24	1,754,353,099.05	1,516,800,959.65	1,901,162,903.70	1,800,476,851.70
Advance received	V-25	11,076,398.49	11,076,398.49	427,978.43	427,978.43
Contract liabilities	V-26	488,795,192.03	482,542,295.54	321,860,381.80	315,974,833.17
Employee benefits payable	V-27	22,681,388.34	15,931,684.37	28,144,645.17	20,284,721.12
Taxes payable	V-28	85,979,298.23	65,073,081.43	94,108,890.64	72,027,936.31
Other payables	V-29	59,586,101.54	58,983,016.53	51,548,925.49	50,892,959.95
Including: Interest payable					
Dividend payable					
Liabilities held for sale					
Non-current liabilities due within one year	V-30	30,306,386.04	28,354,795.82	43,857,470.21	40,684,252.75
Other current liabilities	V-31	48,591,511.91	5,679,100.00	54,573,280.19	54,573,280.19
Total current liabilities		3,107,389,261.44	2,795,290,502.34	3,042,591,985.28	2,903,378,565.97

CONSOLIDATED AND COMPANY BALANCE SHEET

31 December 2025

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Notes	Closing balance		Closing balance for the previous year	
		Consolidated	Company	Consolidated	Company
Non-current liabilities:					
Long-term borrowings					
Bonds payable					
Lease liabilities	V-32	10,502,283.04		14,283,452.22	
Long-term payables					
Estimated liabilities					
Deferred income	V-33	10,295.28		39,510.45	
Deferred income tax liabilities	V-20	26,139,446.27	26,139,446.27	19,689,250.08	19,689,250.08
Other non-current liabilities					
Total non-current liabilities		36,652,024.59	26,139,446.27	34,012,212.75	19,689,250.08
Total liabilities		3,144,041,286.03	2,821,429,948.61	3,076,604,198.03	2,923,067,816.05

CONSOLIDATED AND COMPANY BALANCE SHEET

31 December 2025

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Notes	Closing balance		Closing balance for the previous year	
		Consolidated	Company	Consolidated	Company
Shareholders' equity:					
Share capital	V-34	1,519,884,000.00	1,519,884,000.00	1,519,884,000.00	1,519,884,000.00
Capital reserve	V-35	3,224,727,994.03	3,271,445,482.07	3,224,727,994.03	3,271,445,482.07
Less: Treasury shares					
Other comprehensive income	V-36	378,838,128.01	371,759,539.56	345,799,495.07	343,722,412.28
Special reserve	V-37				
Surplus reserve	V-38	173,518,216.20	173,518,216.20	161,583,676.42	161,583,676.42
Retained earnings	V-39	876,592,097.48	666,179,829.70	787,189,578.06	601,325,723.65
Total equity attributable to shareholders of parent company		6,173,560,435.72	6,002,787,067.53	6,039,184,743.58	5,897,961,294.42
Non-controlling interests		35,261,646.22		35,086,437.12	
Total shareholders' equity		6,208,822,081.94	6,002,787,067.53	6,074,271,180.70	5,897,961,294.42
Total liabilities and shareholders' equity		9,352,863,367.97	8,824,217,016.14	9,150,875,378.73	8,821,029,110.47

CONSOLIDATED AND COMPANY INCOME STATEMENT

For the Year 2025

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Notes	Amount for the current period		Amount for the previous period	
		Consolidated	Company	Consolidated	Company
I. Operating revenue	V-40 XIV-5	3,436,856,350.60	3,109,040,299.85	3,119,620,673.82	2,912,471,223.67
Less: Operating cost	V-40 XIV-5	2,837,331,591.09	2,630,190,185.15	2,523,461,210.93	2,422,988,404.93
Taxes and surcharges	V-41	26,047,160.60	22,059,978.99	27,121,434.65	23,454,104.46
Selling expenses	V-42	109,788,513.52	93,364,082.32	119,220,243.62	105,241,622.78
Administrative expenses	V-43	137,690,968.89	88,567,611.78	171,017,098.94	128,847,280.15
Research and development expenses	V-44	212,182,543.34	196,103,778.00	237,954,575.48	225,380,130.55
Finance expenses	V-45	-14,338,297.26	-12,527,932.82	-31,090,186.40	-30,869,184.94
Including: Interest expenses	V-45	386,266.86		524,103.56	
Interest income	V-45	21,774,922.81	20,770,900.79	21,519,367.84	21,739,402.60
Plus: Other income	V-46	21,658,361.76	21,351,552.46	43,886,408.49	41,655,147.89
Investment income ("-" for losses")	V-47 XIV-6	13,094,699.06	19,959,778.33	7,644,000.00	9,412,117.85
Including: Investment income from associates and joint ventures					
Revenue from derecognition of financial assets measured at amortized cost ("-" for losses)	V-47 XIV-6	-982,637.79	-982,637.79		
Net exposure hedging returns ("-" for losses)					
Gain from fair value changes ("-" for losses)					
Credit impairment losses ("-" for losses)	V-48	-12,361,627.15	-10,513,013.11	21,349,691.22	28,078,415.30
Impairment losses on assets ("-" for losses)	V-49	-932,068.13	-1,540,587.75	-6,492,926.07	-6,806,716.86
Gains on disposal of assets ("-" for losses)	V-50	75,893.26	-369,934.66	-262,586.81	-283,499.11
II. Operating profit ("-" for losses)		149,689,129.22	120,170,391.70	138,060,883.43	109,484,330.81
Plus: Non-operating income	V-51	2,111,490.93	683,542.15	3,210,299.45	285,170.08
Less: Non-operating expenses	V-52	950,538.52	6,068.18	759,351.27	12,195.75
III. Total profit ("-" for total losses)		150,850,081.63	120,847,865.67	140,511,831.61	109,757,305.14
Less: Income tax expenses	V-53	6,781,061.33	1,502,467.84	11,662,716.35	6,440,481.59

CONSOLIDATED AND COMPANY INCOME STATEMENT

For the Year 2025

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Notes	Amount for the current period		Amount for the previous period	
		Consolidated	Company	Consolidated	Company
IV. Net profit ("-" for net losses)		144,069,020.30	119,345,397.83	128,849,115.26	103,316,823.55
(I) Classification by continuity of business operation:					
Including: Net profit from continuing operations ("-" for net losses)		144,069,020.30	119,345,397.83	128,849,115.26	103,316,823.55
Net profit from discontinued operations ("-" for net losses)					
(II) Classification by ownership:					
Including: Net profit attributable to shareholders of the parent company ("-" for net losses)		143,893,811.20	119,345,397.83	128,205,804.33	103,316,823.55
Net profit attributable to non-controlling interests ("-" for net losses)		175,209.10		643,310.93	
V. Other comprehensive income after tax		33,038,632.94	28,037,127.28	95,373,342.96	96,637,806.57
Attributable to shareholders of the parent company		33,038,632.94	28,037,127.28	95,373,342.96	96,637,806.57
(I) Other comprehensive income that cannot be reclassified subsequently to profit or loss		28,072,100.00	28,072,100.00	96,544,700.00	96,544,700.00
1. Changes in remeasurement of the defined benefit plan					
2. Changes in fair value of other equity instrument investments		28,072,100.00	28,072,100.00	96,544,700.00	96,544,700.00

CONSOLIDATED AND COMPANY INCOME STATEMENT

For the Year 2025

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Notes	Amount for the current period		Amount for the previous period	
		Consolidated	Company	Consolidated	Company
(II) Other comprehensive income that will be reclassified subsequently to profit or loss		4,966,532.94	-34,972.72	-1,171,357.04	93,106.57
1. The amount of financial assets reclassified into other comprehensive income		-28,925.17	-34,972.72	88,424.92	93,106.57
2. Translation difference of financial statements in foreign currencies		4,995,458.11		-1,259,781.96	
Other comprehensive income after tax attributable to non-controlling interests					
VI. Total comprehensive income		177,107,653.24	147,382,525.11	224,222,458.22	199,954,630.12
Total comprehensive income attributable to the shareholders of the parent company		176,932,444.14	147,382,525.11	223,579,147.29	199,954,630.12
Total comprehensive income attributable to non-controlling interests		175,209.10		643,310.93	
VII. Earnings per share:	V-54				
(I) Basic earnings per share		0.09		0.08	
(II) Diluted earnings per share					

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

For the year 2025

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Note	Amount for the current period		Amount for the previous period	
		Consolidated	Company	Consolidated	Company
I. Cash flows from operating activities					
Cash received from sale of goods and rendering of services		3,543,677,515.95	3,272,982,220.46	3,787,566,304.33	3,561,442,551.49
Refund of taxes and surcharges		472,206.10			
Cash received from other operating activities	V-55	223,632,476.77	219,717,556.95	55,517,200.51	45,963,330.53
Sub-total of cash inflows from operating activities		3,767,782,198.82	3,492,699,777.41	3,843,083,504.84	3,607,405,882.02
Cash paid for goods purchased and services received		2,688,417,047.08	2,685,365,235.71	2,614,977,557.65	2,621,662,724.59
Cash paid to and for employees		602,080,746.18	434,248,487.31	581,493,231.20	430,563,329.05
Cash paid for taxes and surcharges		143,038,962.48	83,900,347.10	110,552,093.89	72,167,924.63
Cash paid for other operating activities	V-55	292,736,101.73	277,057,648.60	252,882,468.99	243,993,426.38
Sub-total of cash outflows from operating activities		3,726,272,857.47	3,480,571,718.72	3,559,905,351.73	3,368,387,404.65
Net cash flow from operating activities		41,509,341.35	12,128,058.69	283,178,153.11	239,018,477.37
II. Cash flows from investing activities					
Cash received from disinvestment					
Cash received from return on investments		14,112,000.00	20,977,079.27	7,644,000.00	9,412,117.85
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		243,505.15	238,180.00	46,790,761.34	46,790,179.62
Net cash received from disposal of subsidiaries and other business units					
Cash received from other investing activities		577,546,042.00	568,820,000.00		
Sub-total of cash inflows from investing activities		591,901,547.15	590,035,259.27	54,434,761.34	56,202,297.47
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		13,293,360.98	7,957,078.71	26,825,275.86	9,736,725.93
Cash paid for investment					20,700,000.00
Net cash paid for acquisition of subsidiaries and other business units					
Cash paid for other investing activities		204,200,604.42	203,890,389.00	596,597,409.78	583,725,652.48
Sub-total of cash outflows from investing activities		217,493,965.40	211,847,467.71	623,422,685.64	614,162,378.41
Net cash flows from investing activities		374,407,581.75	378,187,791.56	-568,987,924.30	-557,960,080.94

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

For the year 2025

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Note	Amount for the current period		Amount for the previous period	
		Consolidated	Company	Consolidated	Company
III. Cash flows from financing activities					
Cash received from absorbing investments				19,300,000.00	
Including: Cash received from non-controlling interests' investment in subsidiaries				19,300,000.00	
Cash received from borrowings					
Cash received from bond issuance					
Cash received from other financing activities					
Sub-total of cash inflows from financing activities				19,300,000.00	
Cash paid for repayment of debts					
Cash paid for distribution of dividends, profits or payment of interest		42,651,086.37	42,651,086.37	45,734,502.28	45,734,502.28
Including: Payments for distribution of dividends or profit to non-controlling interests by subsidiaries					
Cash paid for other financing activities					
Sub-total of cash outflows from financing activities		42,651,086.37	42,651,086.37	45,734,502.28	45,734,502.28
Net cash flows from financing activities		-42,651,086.37	-42,651,086.37	-26,434,502.28	-45,734,502.28
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-1,518,615.23	-2,879,632.49	1,703,016.10	1,748,094.27
V. Net increase in cash and cash equivalents	V-56	371,747,221.50	344,785,131.39	-310,541,257.37	-362,928,011.58
Plus: Opening balance of cash and cash equivalents	V-56	1,147,055,380.88	990,559,529.82	1,457,596,638.25	1,353,487,541.40
VI. Closing balance of cash and cash equivalents	V-56	1,518,802,602.38	1,335,344,661.21	1,147,055,380.88	990,559,529.82

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year 2025

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Share capital	Capital reserve	Treasury shares	Amount for the current year				Non-controlling interests	Total shareholders' equity
				Equity attributable to shareholders of parent company	Other comprehensive income	Special reserve	Retained earnings		
I. Closing balance at the end of last year	1,519,884,000.00	3,224,727,994.03			345,799,495.07	161,583,676.42	787,189,578.06	35,086,437.12	6,074,271,180.70
Plus: Changes in accounting policies									
Correction of accounting errors in prior period									
Business combination involving entities under common control									
Others									
II. Opening balance for the current year	1,519,884,000.00	3,224,727,994.03			345,799,495.07	161,583,676.42	787,189,578.06	35,086,437.12	6,074,271,180.70
III. Movements in the current year (decrease is represented by "-")									
(I) Total comprehensive income					33,038,632.94	11,934,539.78	89,402,519.42	175,209.10	134,550,901.24
(II) Capital contributed or reduced by shareholders					33,038,632.94		143,893,811.20	175,209.10	177,107,653.24
1. Ordinary shares contributed by shareholders									
2. Amount of share-based payment recognized in shareholders' equity									
3. Others									
(III) Profit distribution									
1. Appropriation of surplus reserve						11,934,539.78	-54,491,291.78		-42,556,752.00
2. Appropriation of profit to shareholders						11,934,539.78	-11,934,539.78		
3. Others							-42,556,752.00		-42,556,752.00
(IV) Internal carry-over of shareholders' equity									
1. Transfer of capital reserve to share capital									
2. Transfer of surplus reserve to share capital									
3. Surplus reserve to cover losses									
4. Other comprehensive income carried forward to retained earnings									
5. Others									
(V) Special reserve									
1. Appropriations in the current period						10,911,373.37			10,911,373.37
2. Utilization in the current period (represented by "-")						-10,911,373.37			-10,911,373.37
(VI) Others									
IV. Closing balance for the current year	1,519,884,000.00	3,224,727,994.03			378,838,128.01	173,518,216.20	876,592,097.48	35,261,646.22	6,208,822,081.94

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year 2025

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Amount for the previous year						Total shareholders' equity
	Share capital	Capital reserve	Treasury shares	Less: comprehensive income	Special reserve	Surplus reserve	
I. Closing balance at the end of last year	1,519,884,000.00	3,224,727,994.03		250,426,152.11	151,251,994.06	714,911,976.09	5,876,345,242.48
Plus: Changes in accounting policies							
Correction of accounting errors in prior period							
Business combination involving entities under common control							
Others							
II. Opening balance for the current year	1,519,884,000.00	3,224,727,994.03		250,426,152.11	151,251,994.06	714,911,976.09	5,876,345,242.48
III. Movements in the current year (decrease is represented by "-")							
(I) Total comprehensive income				95,373,342.96		72,277,601.97	197,925,938.22
(II) Capital contributed or reduced by shareholders				95,373,342.96		128,205,804.33	224,222,458.22
1. Ordinary shares contributed by shareholders						19,300,000.00	19,300,000.00
2. Amount of share-based payment recognized in shareholders' equity						19,300,000.00	19,300,000.00
3. Others							
(III) Profit distribution						-55,928,202.36	-45,596,520.00
1. Appropriation of surplus reserve							
2. Appropriation of profit to shareholders							
3. Others						-45,596,520.00	-45,596,520.00
(IV) Internal carry-over of shareholders' equity							
1. Transfer of capital reserve to share capital							
2. Transfer of surplus reserve to share capital							
3. Surplus reserve to cover losses							
4. Other comprehensive income carried forward to retained earnings							
5. Others							
(V) Special reserve					9,021,543.79		9,021,543.79
1. Appropriations in the current period							
2. Utilization in the current period							
(represented by "-")							
(VI) Others					-9,021,543.79		-9,021,543.79
IV. Closing balance for the current year	1,519,884,000.00	3,224,727,994.03		345,799,495.07	161,583,676.42	787,189,578.06	6,074,271,180.70
						35,086,437.12	

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the Year 2025

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Share capital	Capital reserve	Less: Treasury shares	Amount for the current year			Retained earnings	Total shareholders' equity
				comprehensive income	Special reserve	Surplus reserve		
I. Closing balance at the end of last year	1,519,884,000.00	3,271,445,482.07		343,722,412.28		161,583,676.42	601,325,723.65	5,897,961,294.42
Plus: Changes in accounting policies Correction of accounting errors in prior period Others								
II. Opening balance for the current year	1,519,884,000.00	3,271,445,482.07		343,722,412.28		161,583,676.42	601,325,723.65	5,897,961,294.42
III. Movements in the current year (decrease is represented by "-")								
(I) Total comprehensive income				28,037,127.28		11,934,539.78	64,854,106.05	104,825,773.11
(II) Capital contributed or reduced by shareholders				28,037,127.28			119,345,397.83	147,382,525.11
1. Ordinary shares contributed by shareholders								
2. Amount of share-based payment recognized in shareholders' equity								
3. Others								
(III) Profit distribution								
1. Appropriation of surplus reserve						11,934,539.78	-54,491,291.78	-42,556,752.00
2. Appropriation of profit to shareholders						11,934,539.78	-11,934,539.78	
3. Others							-42,556,752.00	-42,556,752.00
(IV) Internal carry-over of shareholders' equity								
1. Transfer of capital reserve to share capital								
2. Transfer of surplus reserve to share capital								
3. Surplus reserve to cover losses								
4. Other comprehensive income carried forward to retained earnings								
5. Others								
(V) Special reserve								
1. Appropriations in the current period						5,784,724.17		5,784,724.17
2. Utilization in the current period (represented by "-")						-5,784,724.17		-5,784,724.17
(VI) Others								
IV. Closing balance for the current year	1,519,884,000.00	3,271,445,482.07		371,759,539.56		173,518,216.20	666,179,829.70	6,002,787,067.53

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the Year 2025

Prepared by: CRCC High-Tech Equipment Corporation Limited

Unit: RMB

Item	Share capital	Capital reserve	Less: Treasury shares	Amount for the current year		Retained earnings	Surplus reserve	Total shareholders' equity
				Other comprehensive income	Special reserve			
I. Closing balance at the end of last year	1,519,884,000.00	3,271,445,482.07		247,084,605.71		553,937,102.46	151,251,994.06	5,743,603,184.30
Plus: Changes in accounting policies								
Correction of accounting errors in prior period								
Others								
II. Opening balance for the current year	1,519,884,000.00	3,271,445,482.07		247,084,605.71		553,937,102.46	151,251,994.06	5,743,603,184.30
III. Movements in the current year (decrease is represented by "-")								
(I) Total comprehensive income				96,637,806.57		47,388,621.19	10,331,682.36	154,358,110.12
(II) Capital contributed or reduced by shareholders				96,637,806.57		103,316,823.55		199,954,630.12
1. Ordinary shares contributed by shareholders								
2. Amount of share-based payment recognized in shareholders' equity								
3. Others								
(III) Profit distribution								
1. Appropriation of surplus reserve							10,331,682.36	-45,596,520.00
2. Appropriation of profit to shareholders								
3. Others								
(IV) Internal carry-over of shareholders' equity								
1. Transfer of capital reserve to share capital								
2. Transfer of surplus reserve to share capital								
3. Surplus reserve to cover losses								
4. Other comprehensive income carried forward to retained earnings								
5. Others								
(V) Special reserve								
1. Appropriations in the current period							4,882,929.31	4,882,929.31
2. Utilization in the current period (represented by "-")							-4,882,929.31	-4,882,929.31
(VI) Others								
IV. Closing balance for the current year	1,519,884,000.00	3,271,445,482.07		343,722,412.28		601,325,723.65	161,583,676.42	5,897,961,294.42

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

I. INFORMATION ABOUT THE COMPANY

CRCC High-Tech Equipment Corporation Limited (formerly known as “Kunming China Railway Large Maintenance Machinery Group Co., Ltd.”, the “**Company**”) is a joint stock company with limited liability registered in Kunming, Yunnan Province, the People’s Republic of China, transformed from Kunming China Railway Large Maintenance Machinery Group Co., Ltd. after an overall restructuring in 2015. On 16 December 2015, the Company issued a total of 531,900,000 H shares with a nominal value of RMB1.00 each in Hong Kong and listed the same on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”). As of 31 December 2025, the Company has issued a total of 531,900,000 H shares with a registered capital of RMB1,519,884,000. The registered address of the Company is located at No. 384 Yangfangwang, Jinma Town, China (Yunnan) Pilot Free Trade Zone.

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

The Company’s parent company is China Railway Construction Corporation Limited and the ultimate controller is China Railway Construction Group Corporation.

These financial statements and the notes to the financial statements were approved at the second meeting of the fourth session of the Board of the Company on 27 March 2026.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Company determines the depreciation of fixed assets, amortisation of intangible assets, and revenue recognition policies based on its own production and operation conditions, the detailed accounting policies are set out in Note III-15, Note III-18 and Note III-25.

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

The financial statements are in compliance with the requirements of the Accounting Standards for Business Enterprises, and give a true and complete view of both consolidated and the Company’s financial position as at 31 December 2025, both consolidated and the Company’s operating results and cash flows for the year 2025 and other relevant information.

2. Accounting period

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

3. Operating Cycle

The Company’s operating cycle is 12 months.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

4. Functional currency

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

5. Determination method for materiality criterion and basis for selection

The Company applies the principle of materiality to prepare and present financial statements. An item is material if it is reasonably expected that the omission or misstatement of the item in the financial statements would affect the economic decision made by the user accordingly. When judging the materiality, the Company determined whether the item is material from two aspects, the nature of the item (whether it arises from the Company's normal activities, whether it materially affects the Company's financial position, financial performance, and cash flows, etc) and the amount of the item (the proportion of the amount to the Company's key financial indicators, including revenue, cost of sales, net profit, total assets, total liabilities, total shareholders' equity or the proportion to the amount of specific line item).

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

(1) Business combinations under common control

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

(1) *Business combinations under common control (continued)*

Business combinations under common control achieved in stages through multiple transactions

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

(2) *Business combinations not under common control*

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

(2) *Business combinations not under common control (continued)*

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

(1) Standards for judgement of control

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

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

(2) Preparation method of consolidated financial statements

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

Where a subsidiary or business was acquired during the reporting period, through a business combination involving enterprises under common control, the subsidiary or business is deemed to be incorporated into the scope of the combination of the Company from the date on which they come under the control of the ultimate controlling party, and their operating results and cash flows from the date are included in the consolidated income statement and the consolidated cash flow statement, respectively.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

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

Where a subsidiary or business was acquired during the reporting period, through a business combination involving enterprises not under common control, the revenue, expenses and profit of the subsidiary or business after the acquisition date to the end of the reporting period are included in the consolidated income statement, the cash flows are included in consolidated cash flow statement.

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

(3) Purchase of subsidiaries' non-controlling interests

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

(4) Treatment of loss of control of subsidiaries

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

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

8. Recognition criteria for cash and cash equivalents

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

(1) Foreign currency transactions

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

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

(2) Translation of financial statements denominated in foreign currency

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

(2) Translation of financial statements denominated in foreign currency (continued)

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

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

10. Financial instruments

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

(1) Recognition and derecognition of financial instruments

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(2) *Classification and measurement of financial assets*

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

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

Financial assets measured at amortized cost

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

Financial assets measured at amortized cost (continued)

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

Financial assets measured at fair value through other comprehensive income

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

Financial assets measured at fair value through profit or loss

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(3) *Classification and measurement of financial liabilities*

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

Financial liabilities measured at fair value through profit or loss

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

Financial liabilities measured at amortized cost

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

The distinction between financial liabilities and equity instruments

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

The distinction between financial liabilities and equity instruments (continued)

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

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

(4) *Fair value of financial instruments*

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(5) *Impairment of financial assets*

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

(6) *Transfer of financial assets*

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

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

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

Accounting treatment for transfer of financial assets

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

10. Financial instruments (continued)

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

Accounting treatment for transfer of financial assets (continued)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Fair value measurement

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Inventories

(1) *Classification of inventories*

The Company's inventory is divided into raw materials, goods in process, goods in transit, finished goods, goods delivered, etc.

(2) *Measurement method of cost of inventories*

The Company's inventory is valued at actual cost upon acquisition. Raw materials, goods-in-stock and similar items are valued using the weighted average method when delivered.

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Inventories (continued)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Inventories (continued)

(4) *Inventory stock taking system*

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

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

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

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

13. Long-term equity investments

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

(1) *Determination of initial investment cost*

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Long-term equity investments (continued)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Long-term equity investments (continued)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Long-term equity investments (continued)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Long-term equity investments (continued)

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

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

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

(4) Method of impairment testing and impairment provision

For the method for making impairment provision for the investment in subsidiaries, associates and joint ventures, please refer to Note III-20.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Investment property

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

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

For the impairment of the investment properties accounted for using the cost model, refer to Note III-20.

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

15. Fixed assets

(1) Recognition of fixed assets

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

15. Fixed assets (continued)

(1) Recognition of fixed assets (continued)

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

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

(2) Depreciation of fixed assets

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

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

In particular, for fixed assets that have been provided for impairment, the depreciation rate shall be determined after deducting the cumulative amount of impairment provision made for such fixed assets.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

15. Fixed assets (continued)

- (3) The impairment test method and impairment provision method of the fixed assets are set out in Note III-20.
- (4) The Company will review the useful lives, estimated net residual value and depreciation method of the fixed assets at the end of each year.

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

(5) Disposal of fixed assets

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

16. Construction in progress

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

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

The method for impairment provision of construction in progress is set out in Note III-20.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Borrowing costs

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

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

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

(2) Capitalisation period of borrowing costs

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Borrowing costs (continued)

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

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

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

18. Intangible assets

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Intangible assets (continued)

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

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

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

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

The impairment method for the intangible assets is set out in Note III-20.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

19. Research and development expenses

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Impairment of assets

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Impairment of assets (continued)

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

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

21. Long-term deferred expenses

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

22. Contract liabilities

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

23. Employee benefits

(1) *Scope of employee benefits*

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Employee benefits (continued)

(2) Short-term staff remuneration

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

(3) Post-employment benefits

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

Defined contribution plans

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Employee benefits (continued)

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

Defined benefit plans

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Employee benefits (continued)

(4) Termination benefits

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

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

24. Estimated liabilities

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Estimated liabilities (continued)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Revenue

(1) General principles

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Revenue (continued)

(1) General principles (continued)

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Revenue (continued)

(2) *Specific methods*

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

Sales of mechanical equipment

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

Maintenance of large railway track maintenance machinery

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. Revenue (continued)

(2) *Specific methods (continued)*

Accessories sales

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

Railway line maintenance services

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

Mechanical design services

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Contract costs

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Contract costs (continued)

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

- ① remaining amount of consideration that the Company expects to receive in exchange for the goods to which the asset relates;
- ② the estimated costs to be incurred to transfer the related goods or services.

27. Government grants

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Government grants (continued)

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

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

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

28. Deferred income tax assets and deferred income tax liabilities

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Deferred income tax assets and deferred income tax liabilities (continued)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28. Deferred income tax assets and deferred income tax liabilities (continued)

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

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

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

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

29. Lease

(1) Identification of leases

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

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

29. Lease (continued)

(2) *The Company as lessee*

On the beginning date of the lease, the Company recognizes right-of-use assets and lease liabilities for all leases, except for short-term lease and low-value asset lease with simplified approach.

The accounting policy for right-of-use assets is set out in Note III-30.

The lease liability is initially measured at the present value of the lease payments that are not paid at the beginning date of the lease using the interest rate implicit in the lease. Where the interest rate implicit in the lease cannot be determined, the incremental borrowing rate is used as the discount rate. Lease payments include fixed payments and in-substance fixed payments, less any lease incentives receivable; variable lease payments that are based on an index or a rate; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments for terminating the lease, if the lease term reflects the lessee exercising that option of terminating; and amounts expected to be payable by the lessee under residual value guarantees. Subsequently, the interest expense on the lease liability for each period during the lease term is calculated using a constant periodic rate of interest and is recognized in profit or loss for the current period. Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period in which they actually arise.

Short-term lease

Short-term leases refer to leases with a lease term of less than 12 months from the commencement date, except for those with a purchase option.

Lease payments on short-term leases are recognized in the cost of related assets or current profit or loss on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

29. Lease (continued)

(2) *The Company as lessee (continued)*

Low-value asset lease

A low-value asset lease is a lease that the value of a single leased asset is relatively low when it is a new asset. The Company treats a single leased asset with low value when it is a new asset as a low-value asset lease.

Lease payments on low-value asset leases are recognized on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period.

For low-value asset lease, the Company adopts the above simplified treatment based on the specific conditions of each lease.

Lease modification

The Company accounts for a lease modification as a separate lease when the modification occurs and the following conditions are met: ① the lease modification expands the scope of lease by adding the right to use one or more of the leased assets; ② the increase in consideration is equivalent to the separate price for the expanded scope of lease adjusted for that contractual situation.

Where a lease modification is not accounted for as a separate lease, at the effective date of the lease modification, the Company reallocates the consideration of the modified contract, redetermines the lease term and remeasures the lease liability based on the present value of the lease payments after the modification and the revised discount rate.

If a lease modification results in a reduction in the scope of the lease or a shortening of the lease term, the Company reduces the book value of the right-of-use asset accordingly and includes in the profit or loss for the period the gain or loss associated with the partial or complete termination of the lease.

Where other lease modifications result in a remeasurement of the lease liability, the Company adjusts the book value of the right-of-use asset accordingly.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

29. Lease (continued)

(3) *The Company as lessor*

When the Company is a lessor, a lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of asset ownership to the lessee. All leases other than financial leases are classified as operating leases.

Finance leases

Under finance leases, the Company accounts for finance lease receivables at the beginning of the lease term at the net lease investment, which is the sum of the unsecured residual value and the present value of the lease receipts outstanding at the commencement date of the lease, discounted at the interest rate implicit in the lease. The Company as lessor calculates and recognizes interest income for each period of the lease term based on a fixed periodic interest rate. Variable lease payments acquired by the Company as lessor that are not included in the net measurement of lease investments are included in profit or loss for the period when they are actually incurred.

Derecognition and impairment of finance lease receivables are accounted for in accordance with the requirements under the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments and the Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets.

Operating lease

Lease payments under operating leases are recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in relation to operating leases are capitalised and amortised over the lease term on the same basis as rental income and recognized in profit or loss for the current period. The variable lease payments obtained in relation to operating leases that are not included in the lease payments are recognized in profit or loss in the period in which they actually incurred.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

29. Lease (continued)

(3) *The Company as lessor (continued)*

Lease modification

The Company accounts for a modification in an operating lease as a new lease from the effective date of the modification and the amount of lease receipts received in advance or receivable in respect of the lease prior to the modification is treated as a receipt under the new lease.

The Company accounts for a modification in a finance lease as a separate lease when the change occurs and the following conditions are met: ① the modification expands the scope of lease by adding the right to use one or more of the leased assets; ② the increase in consideration is equivalent to the separate price for the expanded scope of lease adjusted for that contractual situation.

Where a finance lease is modified and not accounted for as a separate lease, the Company accounts for the modified lease in the following circumstances: ① If the modification takes effect on the lease commencement date, the lease will be classified as an operating lease, the Company will account for it as a new lease from the effective date of the lease modification, and use the net lease investment before the effective date of the lease modification; ② If the modification takes effect on the lease commencement date, the lease will be classified as a finance lease, and the Company will conduct accounting treatment in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments on modifying or renegotiating contracts.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Right-of-use assets

(1) *Recognition conditions of right-of-use assets*

The right-of-use assets are defined as the right to use the underlying assets in the lease term for the Company as a lessee.

On the commencement date of the lease term, right-of-use assets are initially measured at cost. The cost includes: the amount of the initial measurement of the lease liability; the lease payment made on or before the commencement date of the lease term, less any lease incentive received if any; the initial direct costs incurred by the Company as a lessee; an estimate of costs to be incurred by the Company as a lessee in dismantling and removing a leased asset, restoring the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease. The Company as a lessee recognizes and measures the costs of demolition and restoration according to "Accounting Standards for Business Enterprises No.13 – Contingencies", and subsequently adjusts for any remeasurement of lease liability.

(2) *Depreciation method of right-of-use assets*

The Company calculates depreciation on a straight-line basis. Right-of-use assets in which the Company as a lessee is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated over the remaining useful life. Otherwise, right-of-use assets are depreciated over the shorter of the lease term and its remaining useful life.

(3) Methods of impairment testing and provision for impairment for right-of-use assets are set forth in Note III-20.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Segment reporting

The Company determines operating segments based on its internal organizational structure, management requirements and internal reporting system, and determines reportable segments and disclose segment information by operating segments.

The operating segments refer to the Company's components that simultaneously meet the following conditions: (1) the components can generate income and incur expenses in daily activities; (2) the Management of the Company can regularly evaluate the operating results of this component to decide the allocatable resources and assess its performance; (3) The Company can obtain relevant accounting information such as the financial positions, operating results and cash flows of this component. If two or more operating segments have similar economic characteristics and meet certain conditions, they can be merged into one operating segment.

32. Production safety expense and maintenance expense

The Company provided for production safety expense and maintenance expense according to the relevant regulations of the Notice on Printing and Distributing the "Administrative Measures for the Provision and Utilization of Production Safety Expenses" (Cai Zi [2022] No. 136) issued by the Ministry of Finance.

Provisions for production safety expenses and maintenance expense are included in the cost of related products or profit or loss of the current period and included in the "special reserve" account correspondingly.

When the provisions are utilized within the prescribed scope, if the expenditures are revenue in nature, those expenditures are offset directly against the special reserve; if the fixed assets are formed, the expenditures will be first accumulated in "construction in progress", and transferred to fixed assets when the relevant safety project is completed and ready for its intended use. At the same time, the special reserve is reduced according to the cost of the fixed asset formed and the accumulated depreciation of the same amount is provided. The fixed asset will no longer be depreciated in future periods.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

33. Changes in significant accounting policies and accounting estimates

(1) *Changes in significant accounting policies*

There were no changes in significant accounting policies during the period.

(2) *Changes in significant accounting estimates*

There were no changes in significant accounting estimates during the period.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

IV. TAXES

1. Main taxes and tax rates

Tax types	Tax basis	Tax rate
Value-added tax	Taxable value-added (tax payable is calculated by multiplying the taxable sales by the applicable tax rate less current allowable input tax credits)	6%, 9% and 13%
City maintenance and construction tax	Based on value-added tax paid	5% and 7%
Education surcharge	Based on value-added tax paid	3%
Local education surcharge	Based on value-added tax paid	2%
Enterprise income tax	Based on taxable profits	15% and 25%

2. Tax concession and approvals

(1) Deduction of research and development expenses incurred

Pursuant to the Announcement on Further Improving the Policy on Pre-tax Deduction of Research and Development Expenses (Announcement No. 13 of 2021 of the Ministry of Finance and the State Administration of Taxation), starting from 1 January 2021, the Company and its subsidiaries are entitled to a pre-tax deduction of 100% of the actual amount incurred for research and development expenses that meet the aforesaid requirements when calculating taxable income.

(2) Preferential policy for high and new technology enterprises

The Company applied to Yunnan Science and Technology Department, Yunnan Finance Department and Yunnan Taxation Bureau of the State Administration of Taxation in 2025, and was recognized as a high-tech enterprise. From 2025 to 2027, the Company paid enterprise income tax at the preferential rate of 15%.

The Company's subsidiary, Beijing Ruiweitong Engineering Machinery Co., Ltd., applied to the Beijing Science and Technology Commission, Beijing Municipal Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration in 2024 and was recognized as a high-tech enterprise, and is entitled to a preferential enterprise income tax rate of 15% from 2024 to 2026.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Item	Closing balance	Closing balance for the previous year
Cash on hand	7,621.17	20,998.14
Bank deposits	1,721,354,535.33	1,714,724,026.31
Deposit in finance company	29,512,418.08	28,907,766.21
Accrued interest on deposits	5,061,756.08	3,303,994.46
Total	1,755,936,330.66	1,746,956,785.12
Including: Total amount of deposits overseas	75,408,742.46	59,821,004.92

As of 31 December 2025, the Company's cash and bank balances included time deposits of over three months of RMB200,000,000.00 and accrued interest on the deposits of RMB5,061,756.08.

As of 31 December 2025, the Company's restricted cash included security deposits of RMB32,071,972.20.

2. Bills receivable

Category	Closing balance			Closing balance for the previous year		
	Balance of carrying amount	Bad debt provision	Book value	Balance of carrying amount	Bad debt provision	Book value
Bank acceptance bills	273,914.36		273,914.36	299,970.00	2,999.70	296,970.30
Commercial acceptance bills	326,788,585.04	1,557,942.93	325,230,642.11	351,685,153.65	1,737,905.77	349,947,247.88
Total	327,062,499.40	1,557,942.93	325,504,556.47	351,985,123.65	1,740,905.47	350,244,218.18

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Bills receivable (continued)

(1) Closing bills receivable pledged

The Company has no other bills receivable with restricted ownership at the end of the period.

(2) Bills receivable which were endorsed and discounted by the Company at the end of the period but were not due

Category	Derecognized amount at the end of the period	Not-yet derecognized amount at the end of the period
Commercial acceptance bill	148,267,620.00	48,591,511.91

(3) Bills transferred to accounts receivable due to non-performance of the drawer

The Company has no bills transferred to accounts receivable due to non-performance of the drawer.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Bills receivable (continued)

(4) Classified by bad debt provision method

Category	Balance of carrying amount		Closing balance		Book value
	Amount	Proportion (%)	Bad debt provision Amount	Expected credit loss rate (%)	
Bad debt provision on individual basis					
Bad debt provision on group basis	327,062,499.40	100.00	1,557,942.93	0.48	325,504,556.47
Including:					
Commercial acceptance bills	326,788,585.04	99.92	1,557,942.93	0.48	325,230,642.11
Bank acceptance bills	273,914.36	0.08			273,914.36
Total	327,062,499.40	100.00	1,557,942.93	0.48	325,504,556.47

Continued:

Category	Balance of carrying amount		Closing balance for the previous year		Book value
	Amount	Proportion (%)	Bad debt provision Amount	Expected credit loss rate (%)	
Bad debt provision on individual basis					
Bad debt provision on group basis	351,985,123.65	100.00	1,740,905.47	0.49	350,244,218.18
Including:					
Commercial acceptance bills	351,685,153.65	99.91	1,737,905.77	0.49	349,947,247.88
Bank acceptance bills	299,970.00	0.09	2,999.70	1.00	296,970.30
Total	351,985,123.65	100.00	1,740,905.47	0.49	350,244,218.18

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Bills receivable (continued)

(5) Accrued, recovered or reversed provision for bad debts in the period

	Amount of bad debt provision
Opening balance	1,740,905.47
Provision during the period	2,100,053.88
Recovery or reversal during the period	2,283,016.42
Closing balance	1,557,942.93

3. Accounts receivable

(1) Accounts receivable disclosed by ageing at revenue recognition date

Ageing	Closing balance	Closing balance for the previous year
Within 1 year	1,576,252,237.91	1,402,167,063.58
1-2 years	289,878,784.23	173,316,826.23
2-3 years	68,101,206.05	150,621,280.27
Over 3 years	167,700,340.74	80,927,462.76
Sub-total	2,101,932,568.93	1,807,032,632.84
Less: Bad debt provision	90,073,255.80	77,813,866.11
Total	2,011,859,313.13	1,729,218,766.73

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts receivable (continued)

(2) Classification by basis of bad debt provisions made

Category	Balance of carrying amount		Closing balance		Book value
	Amount	Proportion (%)	Bad debt provision		
			Amount	Expected credit loss rate (%)	
Bad debt provision on individual basis	7,729,539.75	0.37	7,729,539.75	100.00	
Bad debt provision on group basis	2,094,203,029.18	99.63	82,343,716.05	3.93	2,011,859,313.13
Including:					
Related party portfolio	209,231,195.23	9.95	209,231.20	0.10	209,021,964.03
Other external entities portfolio	1,884,971,833.95	89.68	82,134,484.85	4.36	1,802,837,349.10
Total	2,101,932,568.93	100.00	90,073,255.80	4.29	2,011,859,313.13

Continued:

Category	Balance of carrying amount		Closing balance for the previous year		Book value
	Amount	Proportion (%)	Bad debt provision		
			Amount	Expected credit loss rate (%)	
Bad debt provision on individual basis	10,190,312.00	0.56	10,190,312.00	100.00	
Bad debt provision on group basis	1,796,842,320.84	99.44	67,623,554.11	3.76	1,729,218,766.73
Including:					
Related party portfolio	249,472,003.35	13.81	257,182.95	0.10	249,214,820.40
Other external entities portfolio	1,547,370,317.49	85.63	67,366,371.16	4.35	1,480,003,946.33
Total	1,807,032,632.84	100.00	77,813,866.11	4.31	1,729,218,766.73

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts receivable (continued)

(2) Classification by basis of bad debt provisions made (continued)

Accounts receivable with bad debt provision on individual basis

Name	Balance of carrying amount	Bad debt provision	Closing balance	
			Expected credit loss rate (%)	Basis for provision
Entity 1	3,580,000.00	3,580,000.00	100.00	Long ageing
Entity 2	2,174,716.62	2,174,716.62	100.00	Relatively high expected credit risks
Entity 3	650,111.33	650,111.33	100.00	Relatively high expected credit risks
Entity 6	893,551.75	893,551.75	100.00	Relatively high expected credit risks
Entity 7	241,576.29	241,576.29	100.00	Relatively high expected credit risks
Entity 4	189,583.76	189,583.76	100.00	Relatively high expected credit risks
Total	7,729,539.75	7,729,539.75	100.00	/

Continued:

Name	Balance of carrying amount	Bad debt provision	Closing balance for the previous year	
			Expected credit loss rate (%)	Basis for provision
Entity 1	7,160,000.00	7,160,000.00	100.00	Long ageing
Entity 2	2,174,716.62	2,174,716.62	100.00	Relatively high expected credit risks
Entity 3	650,111.33	650,111.33	100.00	Relatively high expected credit risks
Entity 4	173,243.95	173,243.95	100.00	Relatively high expected credit risks
Entity 5	32,240.10	32,240.10	100.00	Relatively high expected credit risks
Total	10,190,312.00	10,190,312.00	100.00	/

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accounts receivable (continued)

(3) Accrued, recovered or reversed provision for bad debts in the period

	Amount of bad debt provision
Opening balance	77,813,866.11
Provision during the period	31,889,166.62
Recovery or reversal during the period	19,629,776.93
Closing balance	90,073,255.80

(4) Top five debtors of accounts receivable and contract assets in terms of closing balance

Name	Closing balance of accounts receivable	Closing balance of contract assets	Closing balance of accounts receivable and contract assets	Proportion in the total amount of closing balance of accounts receivable and contract assets (%)	Closing balance of bad debt provision for accounts receivable and impairment provision for contract assets
First	176,307,671.15		176,307,671.15	8.38	7,023,318.61
Second	154,675,829.74		154,675,829.74	7.35	773,379.15
Third	148,530,154.52		148,530,154.52	7.06	1,173,482.85
Fourth	113,217,462.75		113,217,462.75	5.38	566,087.32
Fifth	73,088,612.40		73,088,612.40	3.47	365,443.06
Total	665,819,730.56		665,819,730.56	31.64	9,901,710.99

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Receivables financing

Item	Closing balance	Closing balance for the previous year
Bills receivable	28,696,457.42	65,473,809.90
Less: Other comprehensive income – fair value changes	92,132.60	59,051.63
Closing fair value	28,604,324.82	65,414,758.27

The Company discounts and endorses certain bank acceptance bills based on its daily fund management needs; therefore, bank acceptance bills are classified as financial assets at fair value through other comprehensive income.

The Company has no bank acceptance bills with bad debt provision on individual basis. At the end of the period, the Company considers that the bank acceptance bills held by the Company are not exposed to significant credit risk and will not incur significant losses due to bank defaults.

Bills receivable which were endorsed and discounted by the Company at the end of the period but were not due

Category	Derecognized amount at the end of the period	Not-yet derecognized amount at the end of the period
Bank acceptance bills	37,115,056.41	

The bank acceptance bills used for discounting are derecognized as they are accepted by banks with high credit ratings, the credit risk and the risk of deferred payment are minimal, and the interest rate risk associated with the bills has been transferred to the banks, so it can be determined that the major risks and rewards of ownership of the bills have been transferred.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Prepayments

Presented by ageing at date of transaction

Ageing	Closing balance		Closing balance for the previous year	
	Amount	Proportion %	Amount	Proportion %
Within 1 year	92,222,366.88	98.56	63,854,663.30	97.72
1-2 years	20,380.23	0.02	103,229.65	0.16
2-3 years	37,863.04	0.04	439,317.63	0.67
Over 3 years	1,290,613.20	1.38	944,637.08	1.45
Total	93,571,223.35	100.00	65,341,847.66	100.00

6. Other receivables

Item	Closing balance	Closing balance for the previous year
Other receivables	40,581,746.07	30,297,749.85

Other receivables

① *Disclosure by ageing at date of transaction*

Ageing	Closing balance	Closing balance for the previous year
Within 1 year	36,226,377.81	24,262,709.11
1-2 years	3,245,600.31	15,234,270.82
2-3 years	11,551,235.60	39,683,187.55
Over 3 years	41,013,542.96	2,338,855.08
Sub-total	92,036,756.68	81,519,022.56
Less: Bad debt provision	51,455,010.61	51,221,272.71
Total	40,581,746.07	30,297,749.85

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

Other receivables (continued)

② *Bad debt provision*

Provision for bad debt in the first stage at the end of the period

Category	Balance of carrying amount	Expected credit loss rate over the next 12 months (%)	Bad debt provision	Book value
Bad debt provision on individual basis				
Bad debt provision on group basis	43,218,149.69	6.10	2,636,403.62	40,581,746.07
Related party portfolio	20,000.00	0.50	100.00	19,900.00
Other external entities portfolio	43,198,149.69	6.10	2,636,303.62	40,561,846.07
Total	43,218,149.69	6.10	2,636,403.62	40,581,746.07

At the end of the period, the Company did not have any other receivables in the second stage.

Provision for bad debt in the third stage at the end of the period

Category	Balance of carrying amount	Expected credit loss rate over the lifetime (%)	Bad debt provision	Book value
Bad debt provision on individual basis				
Entity 1 of other receivables	48,818,606.99	100.00	48,818,606.99	
Entity 2 of other receivables	3,450.42	100.00	3,450.42	
Bad debt provision on group basis				
Total	48,818,606.99	100.00	48,818,606.99	

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

Other receivables (continued)

② Bad debt provision (continued)

Provision for bad debt in the first stage at the end of last year

Category	Balance of carrying amount	Expected credit loss rate over the next 12 months (%)	Bad debt provision	Book value
Bad debt provision on individual basis				
Bad debt provision on group basis	32,700,415.57	7.35	2,402,665.72	30,297,749.85
Related party portfolio	224,000.00	0.50	1,120.00	222,880.00
Other external entities portfolio	32,476,415.57	7.39	2,401,545.72	30,074,869.85
Total	32,700,415.57	7.35	2,402,665.72	30,297,749.85

At the end of last year, the Company did not have any other receivables in the second stage.

Provision for bad debt in the third stage at the end of last year

Category	Balance of carrying amount	Expected credit loss rate over the lifetime (%)	Bad debt provision	Book value
Bad debt provision on individual basis				
Entity 1 of other receivables	48,818,606.99	100.00	48,818,606.99	
Entity 2 of other receivables	48,815,156.57	100.00	48,815,156.57	
	3,450.42	100.00	3,450.42	
Bad debt provision on group basis				
Total	48,818,606.99	100.00	48,818,606.99	

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other receivables (continued)

Other receivables (continued)

③ *Accrued, recovered or reversed provision for bad debts in the period*

Bad debt provision	First stage Expected credit loss in the next 12 months	Second stage Lifetime expected credit loss (not credit-impaired)	Third stage Lifetime expected credit loss (credit-impaired)	Total
Opening balance	2,402,665.72		48,818,606.99	51,221,272.71
Provision during the period	977,469.89			977,469.89
Reversal during the period	743,731.99			743,731.99
Closing balance	2,636,403.62		48,818,606.99	51,455,010.61

④ *Top five debtors of other receivables in terms of closing balance*

Name	Nature	Closing balance of other receivables	Ageing	Proportion in the total amount of closing balance of other receivables (%)	Closing balance of bad debt provision
First	Compensation	48,815,156.57	2-4 years	53.04	48,815,156.57
Second	Deposit	8,209,437.76	Within 2 years	8.92	41,947.19
Third	Deposit	3,266,450.20	Within 4 years	3.55	116,030.49
Fourth	Deposit	3,045,086.74	Within 3 years	3.31	36,252.39
Fifth	Deposit	2,323,335.28	Within 2 years	2.52	13,611.13
Total		65,659,466.55		71.34	49,022,997.77

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Inventories

(1) Classification of inventories

Item	Closing balance			Closing balance for the previous year		
	Balance of carrying amount	Provision for depreciation	Book value	Balance of carrying amount	Provision for depreciation	Book value
Raw materials	501,689,989.50	26,999,778.98	474,690,210.52	568,879,249.87	25,999,406.03	542,879,843.84
Goods in process	1,025,110,770.09		1,025,110,770.09	980,316,587.14		980,316,587.14
Goods in transit	20,027,140.59		20,027,140.59	21,821,702.50		21,821,702.50
Finished products and goods delivered	1,415,685,118.13	67,564,980.24	1,348,120,137.89	1,408,116,118.65	75,511,710.81	1,332,604,407.84
Total	2,962,513,018.31	94,564,759.22	2,867,948,259.09	2,979,133,658.16	101,511,116.84	2,877,622,541.32

At the end of the period, goods delivered amounted to RMB1,146,954,420.71.

(2) Provision for inventory depreciation

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Provision accrued	Others	Reversal or write-off	Others	
Raw materials	25,999,406.03	1,544,943.29		544,570.34		26,999,778.98
Finished products and goods delivered	75,511,710.81			7,946,730.57		67,564,980.24
Total	101,511,116.84	1,544,943.29		8,491,300.91		94,564,759.22

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Contract assets

Item	Closing balance			Closing balance for the previous year		
	Balance of carrying amount	Provision for impairment	Book value	Balance of carrying amount	Provision for impairment	Book value
Quality guarantee deposit	1,507,267.34	7,536.34	1,499,731.00	2,378,375.62	11,891.88	2,366,483.74
Construction projects	1,651,376.15	1,651.38	1,649,724.77	13,120,130.30	65,600.66	13,054,529.64
Total	3,158,643.49	9,187.72	3,149,455.77	15,498,505.92	77,492.54	15,421,013.38

(1) Provision for impairment of contract assets

Category	Closing balance					Closing balance for the previous year				
	Balance of carrying amount		Provision for impairment		Book value	Balance of carrying amount		Provision for impairment		Book value
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)		Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Bad debt provision on group basis	3,158,643.49	100.00	9,187.72	0.29	3,149,455.77	15,498,505.92	100.00	77,492.54	0.50	15,421,013.38
Including:										
External entities	3,158,643.49	100.00	9,187.72	0.29	3,149,455.77	15,498,505.92	100.00	77,492.54	0.50	15,421,013.38

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Contract assets (continued)

(2) Accrued, recovered or reversed provision for impairment of contract assets in the period

Item	Closing balance for the previous year	Accrued in current period	Reversal in current period	Charged off/ written off in current period	Closing balance
Quality guarantee deposit	11,891.88		4,355.54		7,536.34
Construction projects	65,600.66	1,651.38	65,600.66		1,651.38
Total	77,492.54	1,651.38	69,956.20		9,187.72

9. Non-current assets due within one year

Item	Closing balance	Closing balance for the previous year
Long-term receivables due within one year	4,812,090.44	

10. Other current assets

Item	Closing balance	Closing balance for the previous year
VAT input to be deducted	5,863,597.95	7,096,894.71
Prepaid income taxes	4,949,705.07	4,783,611.90
Total	10,813,303.02	11,880,506.61

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Long-term receivables

(1) Long-term receivables by nature

Item	Closing balance			Closing balance for the previous year			Range of discount rate
	Balance of carrying amount	Bad debt provision	Book value	Balance of carrying amount	Bad debt provision	Book value	
Finance lease	10,292,418.33	51,462.10	10,240,956.23				3.60%
Of which: Unrealized financing gains	428,928.17		428,928.17				
Less: Long-term receivables due within one year	4,836,271.81	24,181.37	4,812,090.44				3.60%
Total	5,456,146.52	27,280.73	5,428,865.79				3.60%

(2) Provision for bad debts

Category	Closing balance			Closing balance for the previous year			Expected credit loss rate (%)	Book value		
	Balance of carrying amount		Bad debt provision	Balance of carrying amount		Bad debt provision				
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	Book value	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	Book value
Bad debt provision on group basis	10,292,418.33	100.00	51,462.10	0.50	10,240,956.23					

Accrued, recovered or reversed provision for bad debts in the period

	Amount of bad debt provision
Opening balance	
Provision during the period	51,462.10
Closing balance	51,462.10

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Other equity instrument investments

Item	Closing balance	Closing balance for the previous year
Zhuzhou CRRC Times Electric Co., Ltd.	502,642,000.00	469,616,000.00

As Zhuzhou CRRC Times Electric Co., Ltd. is an investment that the Company plans to hold for a long period of time for strategic purposes, the Company has designated it as a financial asset at fair value through other comprehensive income.

Item	Gains and losses recognized in other comprehensive income for the period	Accumulated gains and losses included in other comprehensive income at the end of the period	Dividend income recognized in the current period	Accumulated gains and losses transferred to retained earnings on derecognition	Reasons for derecognition
Zhuzhou CRRC Times Electric Co., Ltd.	33,026,000.00	449,670,197.19	14,112,000.00		

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Investment property

<u>Item</u>	<u>Housing and buildings</u>
I. Original book value	
1. Opening balance	29,950,393.56
2. Increase in the current period	45,739,117.87
Transfer from fixed assets	45,739,117.87
3. Decrease in the current period	
4. Closing balance	75,689,511.43
II. Accumulated depreciation and accumulated amortization	
1. Opening balance	6,587,018.60
2. Increase in the current period	5,098,795.28
(1) Provision or amortization	812,973.48
(2) Transfer from fixed assets	4,285,821.80
3. Decrease in the current period	
4. Closing balance	11,685,813.88
III. Provision for impairment	
1. Opening balance	
2. Increase in the current period	
3. Decrease in the current period	
4. Closing balance	
IV. Book value	
1. Book value of closing balance	64,003,697.55
2. Book value of opening balance	23,363,374.96

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Fixed assets

Item	Closing balance	Closing balance for the previous year
Fixed assets	1,271,804,569.53	1,379,185,618.18

Fixed assets

① Details of fixed assets

Item	Housing and buildings	Engineering equipment	Motor vehicles	Production equipment	Measurement and experimental equipment	Other fixed assets	Total
I. Original book value:							
1. Opening balance	910,546,725.32	918,260,696.37	30,561,661.33	333,094,320.16	167,725,068.66	132,559,656.74	2,492,748,128.58
2. Increase in the current period	7,268,363.31	47,943,036.86	-379,932.07	5,331,329.13	597,434.07	3,453,792.75	64,214,024.05
(1) Purchase		3,412,736.73	648,389.38	1,213,115.00	597,434.07	3,453,792.75	9,325,467.93
(2) Transfer from construction in progress/inventories	10,906,255.23	43,982,300.89					54,888,556.12
(3) Other increase	-3,637,891.92	547,999.24	-1,028,321.45	4,118,214.13			
3. Decrease in the current period	45,739,117.87	12,957,187.47	1,119,014.40	5,933,942.02	2,699,371.81	238,446.17	68,687,079.74
(1) Disposal or retirement		61,025.64	1,119,014.40	5,933,942.02	2,699,371.81	238,446.17	10,051,800.04
(2) Other decrease	45,739,117.87	12,896,161.83					58,635,279.70
4. Closing balance	872,075,970.76	953,246,545.76	29,062,714.86	332,491,707.27	165,623,130.92	135,775,003.32	2,488,275,072.89
II. Accumulated depreciation							
1. Opening balance	325,420,939.22	288,141,672.17	23,482,905.53	266,434,447.64	73,544,045.45	88,646,548.79	1,065,670,558.80
2. Increase in the current period	24,355,242.11	70,542,954.12	631,009.65	3,538,253.30	12,829,615.10	8,642,049.65	120,539,123.93
(1) Provision	24,392,335.25	68,422,655.06	1,813,012.18	8,610,029.21	12,632,114.86	4,668,977.37	120,539,123.93
(2) Other increase	-37,093.14	2,120,299.06	-1,182,002.53	-5,071,775.91	197,500.24	3,973,072.28	
3. Decrease in the current period	4,285,821.80	3,933,387.12	1,063,063.68	5,552,088.88	2,571,224.11	225,545.38	17,631,130.97
(1) Disposal or retirement		53,628.54	1,063,063.68	5,552,088.88	2,571,224.11	225,545.38	9,465,550.59
(2) Other decrease	4,285,821.80	3,879,758.58					8,165,580.38
4. Closing balance	345,490,359.53	354,751,239.17	23,050,851.50	264,420,612.06	83,802,436.44	97,063,053.06	1,168,578,551.76
III. Provision for impairment							
1. Opening balance		47,891,951.60					47,891,951.60
2. Increase in the current period							
3. Decrease in the current period							
4. Closing balance		47,891,951.60					47,891,951.60
IV. Book value							
1. Book value of closing balance	526,585,611.23	550,603,354.99	6,011,863.36	68,071,095.21	81,820,694.48	38,711,950.26	1,271,804,569.53
2. Book value of opening balance	585,125,786.10	582,227,072.60	7,078,755.80	66,659,872.52	94,181,023.21	43,913,107.95	1,379,185,618.18

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Construction in progress

Item	Closing balance	Closing balance for the previous year
Construction in progress		6,075,838.08

16. Right-of-use assets

Item	Housing and buildings	Production equipment	Total
I. Original book value:			
1. Opening balance	18,451,298.32	1,007,620.75	19,458,919.07
2. Increase in the current period			
3. Decrease in the current period	5,958,976.81	-41,394.61	5,917,582.20
(1) Other adjustment	5,958,976.81	-41,394.61	5,917,582.20
4. Closing balance	12,492,321.51	1,049,015.36	13,541,336.87
II. Accumulated depreciation			
1. Opening balance	3,997,781.31	218,317.83	4,216,099.14
2. Increase in the current period	1,514,275.28	136,187.68	1,650,462.96
(1) Provision	1,514,275.28	136,187.68	1,650,462.96
3. Decrease in the current period	3,690,259.68	201,524.16	3,891,783.84
(1) Other adjustment	3,690,259.68	201,524.16	3,891,783.84
4. Closing balance	1,821,796.91	152,981.35	1,974,778.26
III. Provision for impairment			
1. Opening balance			
2. Increase in the current period			
3. Decrease in the current period			
4. Closing balance			
IV. Book value			
1. Book value of closing balance	10,670,524.60	896,034.01	11,566,558.61
2. Book value of opening balance	14,453,517.01	789,302.92	15,242,819.93

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Intangible assets

Item	Software	Land use rights	Non-patented technology	Others	Total
I. Original book value:					
1. Opening balance	53,860,761.78	441,425,134.23	13,293,607.82	6,868,741.95	515,448,245.78
2. Increase in the current period	592,216.49				592,216.49
(1) Purchase	592,216.49				592,216.49
3. Decrease in the current period					
4. Closing balance	54,452,978.27	441,425,134.23	13,293,607.82	6,868,741.95	516,040,462.27
II. Accumulated amortization					
1. Opening balance	53,059,871.76	125,833,355.56	13,293,607.82	6,868,741.95	199,055,577.09
2. Increase in the current period	757,007.37	9,553,206.48			10,310,213.85
(1) Provision	757,007.37	9,553,206.48			10,310,213.85
3. Decrease in the current period					
4. Closing balance	53,816,879.13	135,386,562.04	13,293,607.82	6,868,741.95	209,365,790.94
III. Provision for impairment					
1. Opening balance					
2. Increase in the current period					
3. Decrease in the current period					
4. Closing balance					
IV. Book value					
1. Book value of closing balance	636,099.14	306,038,572.19			306,674,671.33
2. Book value of opening balance	800,890.02	315,591,778.67			316,392,668.69

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Goodwill

(1) Original book value of goodwill

Name of investee or reason for goodwill	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Goodwill on business combination	Others	Disposal	Others	
Acquisition of CIDEON Company	91,368,175.03					91,368,175.03

(2) Provision for impairment of goodwill

Name of investee or reason for goodwill	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Provision	Others	Disposal	Others	
Acquisition of CIDEON Company	78,879,632.06					78,879,632.06

In February 2016, the Company acquired three companies, namely CE cideon engineering GmbH & Co.KG and CE cideon engineering Verwaltungs GmbH in Germany and CE cideon engineering Schweiz AG in Switzerland (collectively, the “**CIDEON Company**”), resulting in a goodwill of RMB91,368,175.03.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Goodwill (continued)

(2) Provision for impairment of goodwill (continued)

The goodwill acquired in the business combination has been allocated to the mechanical design services asset group, namely the CIDEON Company asset group (including goodwill), for impairment testing. As at 31 December 2025, the Group assessed the recoverable amount of the asset group. The recoverable amount of the asset group was determined based on the present value of the estimated future cash flows of the asset group. The future cash flows were determined on the basis of financial budgets approved by the management for a five-year period. Key assumptions used in estimating future cash flows are:

Forecast period of the mechanical design services asset group: 2026-2030, with a pre-tax discount rate of 9.71%;

Growth rate in the forecast period: 2%; net profit margin in the forecast period: 3.04%;

and growth rate of operating revenue in the stable period: 0%

As at 31 December 2025, the CIDEON Company asset group was impaired by RMB78,879,632.06.

19. Long-term deferred expenses

Item	Opening balance	Increase in the current period	Decrease in the current period		Closing balance
			Amortization in the current period	Other decrease	
Expenses for renovation project of Baofeng production base	14,760,513.65	882,371.62	1,526,949.84		14,115,935.43

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities before offset

Item	Closing balance		Closing balance for the previous year	
	Deductible/ taxable temporary differences	Deferred income tax assets/ liabilities	Deductible/ taxable temporary differences	Deferred income tax assets/ liabilities
Deferred tax assets:				
Provision for asset impairment	283,508,488.27	42,968,516.78	279,277,188.81	42,416,692.77
Post-leaving benefits payable	3,166,966.37	475,044.96	4,654,353.99	698,153.09
Quality guarantee deposit	28,730,049.43	4,309,507.43	42,047,682.57	6,307,152.38
Changes in fair value of receivables financing	92,132.60	13,900.44	59,051.63	9,744.64
Unrealized intra-group transactions	9,960,349.13	1,494,052.37	9,255,890.07	1,388,383.51
Lease liabilities	12,078,619.65	3,019,654.91	16,093,239.86	4,023,309.96
Others			306,477.79	45,971.67
Sub-total	337,536,605.45	52,280,676.89	351,693,884.72	54,889,408.02
Deferred tax liabilities:				
Changes in fair value of other equity instrument investments	449,670,197.19	67,450,529.57	416,644,197.19	62,496,629.57
Right-of-use assets	11,566,558.61	2,891,639.65	15,242,819.93	3,810,704.98
Sub-total	461,236,755.80	70,342,169.22	431,887,017.12	66,307,334.55

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

(2) Deferred tax assets or deferred tax liabilities presented at net amount after offset

Item	Offset amount between deferred tax assets and liabilities at the end of the current period	Closing balance of deferred tax assets or liabilities after offset	Offset amount between deferred tax assets and liabilities at the end of the previous year	Closing balance of deferred tax assets or liabilities after offset for the previous year
Deferred income tax assets	44,202,722.95	8,077,953.94	46,618,084.47	8,271,323.55
Deferred income tax liabilities	44,202,722.95	26,139,446.27	46,618,084.47	19,689,250.08

21. Other non-current assets

Item	Balance of carrying amount	Closing balance		Closing balance for the previous year		
		Provision for impairment	Book value	Balance of carrying amount	Provision for impairment	Book value
Prepaid land acquisition amount	12,380,490.00		12,380,490.00	12,380,490.00		12,380,490.00
Prepaid equipment payment	899,480.00		899,480.00			
Prepaid construction payment				700,001.60		700,001.60
Total	13,279,970.00		13,279,970.00	13,080,491.60		13,080,491.60

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Assets with restricted ownership or right of use

Item	As at the end of the current period		
	Balance of carrying amount	Book value	Restriction
Cash and bank balance	32,071,972.20	32,071,972.20	Deposits, etc.

Continued:

Item	As at the end of the previous year		
	Balance of carrying amount	Book value	Restriction
Cash and bank balance	36,597,409.78	36,597,409.78	Deposits, etc.
Bills receivable	2,571,995.73	2,559,136.49	Pledge
Total	39,169,405.51	39,156,546.27	/

23. Bills payable

Type	Closing balance	Closing balance for the previous year
Commercial acceptance bills	27,878,802.55	
Bank acceptance bills	578,141,083.26	546,907,509.65
Total	606,019,885.81	546,907,509.65

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Accounts payable by date of transaction

Item	Closing balance	Closing balance for the previous year
Within 1 year (including 1 year)	1,451,841,525.67	1,873,384,037.45
1-2 years (including 2 years)	295,969,202.75	21,234,515.02
2-3 years (including 3 years)	1,946,815.45	1,774,845.71
Over 3 years	4,595,555.18	4,769,505.52
Total	1,754,353,099.05	1,901,162,903.70

25. Advance received

Item	Closing balance	Closing balance for the previous year
Rental	11,076,398.49	427,978.43

26. Contract liabilities

Item	Closing balance	Closing balance for the previous year
Advances from sales of goods	488,795,192.03	321,860,381.80

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Employee benefits payable

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Short-term benefits	23,490,291.18	526,240,883.21	530,216,752.42	19,514,421.97
Post-employment benefits-defined contribution plans		68,324,526.65	68,324,526.65	
Termination benefits	4,654,353.99	3,542,693.61	5,030,081.23	3,166,966.37
Total	28,144,645.17	598,108,103.47	603,571,360.30	22,681,388.34

(1) Short-term benefits

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Wages or salaries, bonuses, allowances and subsidies	23,091,051.48	361,600,065.59	365,951,096.45	18,740,020.62
Staff welfare		20,238,494.86	20,238,494.86	
Social insurance contributions	91,778.91	36,562,798.87	36,548,962.43	105,615.35
Including: 1. Basic medical insurance	91,778.91	34,120,438.30	34,106,601.86	105,615.35
2. Work-related injury insurance		2,421,245.69	2,421,245.69	
3. Maternity insurance		21,114.88	21,114.88	
Housing provident funds		33,011,174.52	33,011,174.52	
Labor union expenditures and employee education funds	306,477.79	7,426,140.36	7,732,618.15	
Other short-term benefits	983.00	67,402,209.01	66,734,406.01	668,786.00
Total	23,490,291.18	526,240,883.21	530,216,752.42	19,514,421.97

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Employee benefits payable (continued)

(2) Defined contribution plans

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Post-employment benefits		68,324,526.65	68,324,526.65	
Including: Basic pension insurance		42,531,510.53	42,531,510.53	
Unemployment insurance		1,809,760.52	1,809,760.52	
Annuity		23,983,255.60	23,983,255.60	
Total		68,324,526.65	68,324,526.65	

The Company's defined contribution plans include basic pension insurance and unemployment insurance managed by local governments, as well as enterprise annuity (supplementary pension insurance) plans. Except for the monthly payment, the Company no longer undertakes further payment obligations. The corresponding expenses are included in the cost of the relevant assets or the current profit and loss when incurred.

During the Year, the Group should pay RMB42,531,510.53 for basic pension insurance; RMB1,809,760.52 for unemployment insurance; and RMB23,983,255.60 for supplementary pension insurance plan.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Taxes payable

Tax items	Closing balance	Closing balance for the previous year
Value-added tax	62,602,690.15	70,676,272.60
City maintenance and construction tax	4,147,543.78	6,114,607.33
Education surcharge	3,130,134.50	4,570,804.66
House property tax	4,038,529.26	4,040,258.08
Enterprise income tax	1,442,320.70	2,846,064.51
Land use tax	2,214,747.50	2,214,747.50
Individual income tax	1,745,004.66	254,390.54
Other taxes	6,658,327.68	3,391,745.42
Total	85,979,298.23	94,108,890.64

29. Other payables

Item	Closing balance	Closing balance for the previous year
Other payables	59,586,101.54	51,548,925.49

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Other payables (continued)

Other payables (breakdown by nature)

Item	Closing balance	Closing balance for the previous year
Deposit of security deposit	26,343,492.92	27,616,939.99
Others	33,242,608.62	23,931,985.50
Total	59,586,101.54	51,548,925.49

30. Non-current liabilities due within one year

Item	Closing balance	Closing balance for the previous year
Estimated liabilities due within one year	28,730,049.43	42,047,682.57
Lease liabilities due within one year	1,576,336.61	1,809,787.64
Total	30,306,386.04	43,857,470.21

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Other current liabilities

Item	Closing balance	Closing balance for the previous year
Accounts payable not derecognized due to endorsement of commercial acceptance bills	48,591,511.91	54,573,280.19

32. Lease liabilities

Item	Closing balance	Closing balance for the previous year
Lease payment	13,503,349.65	18,249,431.52
Less: financing charges unrecognized	1,424,730.00	2,156,191.66
Sub-total	12,078,619.65	16,093,239.86
Less: Lease liabilities due within one year	1,576,336.61	1,809,787.64
Total	10,502,283.04	14,283,452.22

The interest expense accrued on lease liabilities amounted to RMB386,266.86 in 2025 and the amount included in finance costs – interest expense was RMB386,266.86.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Deferred income

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reason
Government grants	39,510.45	5,784,430.54	5,813,645.71	10,295.28	Others

Government grants included in deferred income are detailed in Note VII, Government Grants.

34. Share capital

Item	Opening balance	Increase (+) or decrease (-) in the current period				Sub-total	Closing balance
		New shares issued	Bonus shares	Conversion of reserves into shares	Others		
Total shares	1,519,884,000.00					1,519,884,000.00	

35. Capital reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium	1,707,734,850.20			1,707,734,850.20
Other capital reserve	1,516,993,143.83			1,516,993,143.83
Total	3,224,727,994.03			3,224,727,994.03

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. Other comprehensive income

Other comprehensive income attributable to the parent company in the balance sheet:

Item	Opening balance	Amount for the current period		Closing balance
		Amount after tax attributable to the parent company	Less: amount included in other comprehensive income in the previous period and transferred to retained earnings in the current period	
I. Other comprehensive income that cannot be reclassified into profit or loss	343,765,069.61	28,072,100.00		371,837,169.61
1. Changes in re-measurement of the defined benefit plan	-10,382,497.94			-10,382,497.94
2. Changes in fair value of other equity instrument investments	354,147,567.55	28,072,100.00		382,219,667.55
II. Other comprehensive income that will be reclassified into profit or loss	2,034,425.46	4,966,532.94		7,000,958.40
1. The amount of financial assets reclassified into other comprehensive income	-49,306.99	-28,925.17		-78,232.16
2. Translation difference of financial statements in foreign currencies	2,083,732.45	4,995,458.11		7,079,190.56
Total other comprehensive income	345,799,495.07	33,038,632.94		378,838,128.01

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. Other comprehensive income (continued)

Other comprehensive income attributable to the parent company in the income statement:

Item	Pre-tax amount incurred in current period	Amount for the current period		Less: amount after tax attributable to minority shareholders	Amount after tax attributable to the parent company
		Less: amount included in other comprehensive income in the previous period and transferred to profit or loss in the current period	Less: Income tax expenses		
I. Other comprehensive income that cannot be reclassified into profit or loss	33,026,000.00		4,953,900.00		28,072,100.00
1. Changes in re-measurement of the defined benefit plan					
2. Changes in fair value of other equity instrument investments	33,026,000.00		4,953,900.00		28,072,100.00
II. Other comprehensive income that will be reclassified into profit or loss	4,962,377.14		-4,155.80		4,966,532.94
1. The amount of financial assets reclassified into other comprehensive income	-33,080.97		-4,155.80		-28,925.17
2. Translation difference of financial statements in foreign currencies	4,995,458.11				4,995,458.11
Total other comprehensive income	37,988,377.14		4,949,744.20		33,038,632.94

The amount of other comprehensive income, net of tax, for the current period was RMB33,038,632.94, of which, the amount of other comprehensive income, net of tax, attributable to the shareholders of the parent company for the current period was RMB33,038,632.94; and the amount of other comprehensive income, net of tax, attributable to minority shareholders for the current period was RMB0.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. Special reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Production safety expenses		10,911,373.37	10,911,373.37	

38. Surplus reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	161,583,676.42	11,934,539.78		173,518,216.20

39. Retained earnings

Item	Amount for the current period	Amount for the previous period	Proportion of appropriation or distribution
Retained earnings at the beginning of the period	787,189,578.06	714,911,976.09	–
Plus: Net profit attributable to owners of the parent company in the current period	143,893,811.20	128,205,804.33	–
Less: Appropriation of statutory surplus reserve	11,934,539.78	10,331,682.36	
Dividends payable to ordinary shareholders	42,556,752.00	45,596,520.00	
Retained earnings at the end of the period	876,592,097.48	787,189,578.06	

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Operating revenue and operating cost

(1) Operating revenue and operating cost

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal business	3,410,118,446.54	2,814,312,740.40	3,096,962,853.42	2,500,406,593.66
Other business	26,737,904.06	23,018,850.69	22,657,820.40	23,054,617.27
Total	3,436,856,350.60	2,837,331,591.09	3,119,620,673.82	2,523,461,210.93

(2) Breakdown of operating revenue and operating cost by business (or product type)

Major product type (or business)	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal business:				
Revenue from sales of mechanical equipment	776,359,572.93	607,834,903.77	1,031,846,799.97	815,673,272.55
Revenue from sales of accessories	1,083,257,899.31	903,886,338.31	897,050,226.91	768,001,885.75
Revenue from maintenance of railway track maintenance machinery	1,212,330,812.04	1,032,714,570.99	886,507,873.69	691,017,969.42
Revenue from railway line maintenance services	211,433,230.59	172,875,822.10	171,276,801.89	142,067,530.59
Revenue from mechanical design services	126,736,931.67	97,001,105.23	110,281,150.96	83,645,935.35
Sub-total	3,410,118,446.54	2,814,312,740.40	3,096,962,853.42	2,500,406,593.66
Other business:				
	26,737,904.06	23,018,850.69	22,657,820.40	23,054,617.27
Total	3,436,856,350.60	2,837,331,591.09	3,119,620,673.82	2,523,461,210.93

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Operating revenue and operating cost (continued)

(3) Breakdown of operating revenue and operating cost by the time of transferring goods

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
At a point in time	3,091,048,509.37	2,547,187,796.39	2,831,195,259.06	2,275,377,647.29
Over time	345,807,841.23	290,143,794.70	288,425,414.76	248,083,563.64
Total	3,436,856,350.60	2,837,331,591.09	3,119,620,673.82	2,523,461,210.93

41. Taxes and surcharges

Item	Amount for the current period	Amount for the previous period
Real estate tax	9,322,803.55	9,414,242.43
Urban maintenance and construction tax	5,540,528.21	6,215,061.51
Urban land use tax	4,793,096.59	4,791,343.39
Education surcharge	2,578,444.46	2,836,718.48
Stamp duty	1,918,938.81	1,904,475.63
Local education surcharge	1,718,962.71	1,891,145.91
Environmental protection tax	46,949.56	33,184.87
Vehicle and vessel tax	32,700.18	34,752.21
Others	94,736.53	510.22
Total	26,047,160.60	27,121,434.65

For details of the criteria for the calculation and payment of taxes and surcharges, please refer to Note IV, Taxes.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Selling expenses

Item	Amount for the current period	Amount for the previous period
Employee benefits	70,398,088.96	60,481,290.14
Travel expenses	8,194,364.35	9,832,588.76
Entertainment expenses	5,262,444.02	8,180,907.51
Depreciation cost	1,961,203.99	24,466,738.29
Others	23,972,412.20	16,258,718.92
Total	109,788,513.52	119,220,243.62

43. Administrative expenses

Item	Amount for the current period	Amount for the previous period
Employee benefits	86,351,931.11	104,542,407.30
Depreciation and amortization	18,970,764.50	19,291,702.17
Property costs	745,850.35	8,177,366.38
Intermediary audit and evaluation fee	5,937,062.75	7,073,287.43
Others	25,685,360.18	31,932,335.66
Total	137,690,968.89	171,017,098.94

The auditor of the Company's financial statements for the current period is Grant Thornton Zhitong Certified Public Accountants LLP, and the auditor's remuneration is RMB700,000 (tax inclusive).

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Research and development expenses

Item	Amount for the current period	Amount for the previous period
Labour cost	101,687,445.48	122,307,704.93
Material cost	42,456,251.36	60,123,164.45
Depreciation cost	46,545,601.76	30,282,010.28
Other expenses	21,493,244.74	25,241,695.82
Total	212,182,543.34	237,954,575.48

45. Financial costs

Item	Amount for the current period	Amount for the previous period
Interest expenses	386,266.86	524,103.56
Less: Interest income	21,774,922.81	21,519,367.84
Foreign exchange gains and losses	5,525,836.16	-4,852,070.88
Handling fee and others	1,524,522.53	-5,242,851.24
Total	-14,338,297.26	-31,090,186.40

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

46. Other income

Item	Amount for the current period	Amount for the previous period
Additional deduction of input VAT	15,780,833.20	32,807,116.41
Government grants	5,784,430.54	10,883,420.69
Return of handling fee for withholding individual income tax	93,098.02	195,871.39
Total	21,658,361.76	43,886,408.49

For details of government grants, please refer to Note VII, Government Grants.

47. Investment income

Item	Amount for the current period	Amount for the previous period
Dividend income from other equity instrument investments	14,112,000.00	7,644,000.00
Investment income from derecognition of receivables financing	-34,663.15	
Gain on derecognition of financial assets measured at amortized cost	-982,637.79	
Total	13,094,699.06	7,644,000.00

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

48. Credit impairment losses (“-” for losses)

Item	Amount for the current period	Amount for the previous period
Bad debt losses of bills receivable	182,962.54	-1,108,430.14
Bad debt losses of accounts receivable	-12,259,389.69	21,635,161.44
Bad debt losses of other receivables	-233,737.90	822,959.92
Bad debt losses of long-term receivables	-51,462.10	
Total	-12,361,627.15	21,349,691.22

49. Losses on impairment of assets (“-” for losses)

Item	Amount for the current period	Amount for the previous period
Loss on impairment of contract assets	68,304.82	-37,258.75
Loss on impairment of inventories	-1,000,372.95	-6,455,667.32
Total	-932,068.13	-6,492,926.07

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

50. Gains on disposal of assets ("-" for losses)

Item	Amount for the current period	Amount for the previous period
Gains on disposal of fixed assets ("-" for losses)	-370,145.50	-262,586.81
Gains on disposal of right-of-use assets ("-" for losses)	446,038.76	
Total	75,893.26	-262,586.81

51. Non-operating income

Item	Amount for the current period	Amount for the previous period	Amount included in the current non-recurring profit or loss
Income from compensation and liquidated damages	560,100.70		560,100.70
Accounts not payable	96,388.66	195,053.48	96,388.66
Government grants	29,215.17	33,187.39	29,215.17
Penalty income	39,010.39	89,274.31	39,010.39
Others	1,386,776.01	2,892,784.27	1,386,776.01
Total	2,111,490.93	3,210,299.45	2,111,490.93

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

52. Non-operating expenses

Item	Amount for the current period	Amount for the previous period	Amount included in the current non-recurring profit or loss
Liquidated damages, compensation and various fines	944,015.34	741,118.26	944,015.34
Late fine on taxes	6,523.18	14.85	6,523.18
Loss on destruction or retirement of non-current assets		18,218.16	
Total	950,538.52	759,351.27	950,538.52

53. Income tax expenses

(1) Breakdown of income tax expenses

Item	Amount for the current period	Amount for the previous period
Current income tax calculated in accordance with tax laws and related regulations	5,087,239.73	6,145,380.21
Deferred income tax expenses	1,693,821.60	5,517,336.14
Total	6,781,061.33	11,662,716.35

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

53. Income tax expenses (continued)

(2) Relationship between income tax expense and total profit

Item	Amount for the current period	Amount for the previous period
Total profits	150,850,081.63	140,511,831.61
Income tax expenses calculated at statutory (or applicable) tax rate (total profits* 15%)	22,627,512.24	21,076,774.74
Effect of other tax rates used by certain subsidiaries	1,120,565.54	1,038,704.04
Adjustments of current tax in previous periods	-373,498.35	72,924.42
Non-assessable income (presented with "-")	-2,116,800.00	-1,146,600.00
Costs, expenses and losses not deductible for tax purposes	3,494,901.26	2,494,100.96
Tax effect of utilising unrecognized deductible losses and deductible temporary differences from previous years (presented with "-")	-6,277,720.76	-375,101.04
Tax effect of unrecognized deductible losses and deductible temporary differences	2,682,371.99	11,444,321.92
Tax effect of extra tax deductions for research and development costs (presented with "-")	-14,095,036.28	-22,529,064.51
Others	-281,234.31	-413,344.18
Income tax expenses	6,781,061.33	11,662,716.35

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

54. Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares issued by the Company:

Item	Amount for the current period	Amount for the previous period
Consolidated net profit attributable to ordinary shareholders of the parent company	143,893,811.20	128,205,804.33
Weighted average number of ordinary shares issued by the Company	1,519,884,000.00	1,519,884,000.00
Basic earnings per share	0.09	0.08
Including: Basic earnings per share of continuing operations	0.09	0.08
Basic earnings per share of discontinued operations		

The Company had no potentially dilutive ordinary shares in issue and therefore no diluted earnings per share are presented.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

55. Notes to items of statement of cash flows

(1) Cash received from other operating activities

Item	Amount for the current period	Amount for the previous period
Interest income received	10,855,713.99	18,215,373.38
Other temporary receipts	9,636,398.88	19,067,126.79
Various types of deposits and securities received	546,801.54	487,748.40
Others	202,593,562.36	17,746,951.94
Total	223,632,476.77	55,517,200.51

(2) Cash paid for other operating activities

Item	Amount for the current period	Amount for the previous period
Administrative expenses and selling expenses	91,316,412.09	110,397,993.22
Various types of deposits and securities paid	10,661,759.43	1,937,572.62
Other temporary payables	5,848,665.14	14,022,031.87
Others	184,909,265.07	126,524,871.28
Total	292,736,101.73	252,882,468.99

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

56. Supplementary information of cash flow statements

(1) Supplementary information of cash flow statements

Supplementary information	Amount for the current period	Amount for the previous period
1. Net profits adjusted to cash flows from operating activities:		
Net profit	144,069,020.30	128,849,115.26
Plus: Asset impairment losses	932,068.13	6,492,926.07
Credit impairment losses	12,361,627.15	-21,349,691.22
Depreciation of fixed assets and investment properties	121,352,097.41	118,529,657.32
Depreciation of right-of-use assets	1,650,462.96	1,945,891.92
Amortization of intangible assets	10,310,213.85	10,616,247.26
Amortization of long-term deferred expenses	1,526,949.84	508,983.28
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-75,893.26	262,586.81
Losses from scrapping of fixed assets ("-" for gains)		18,218.16
Financial costs ("-" for gains)	-6,820,783.54	-4,327,967.32
Investment loss ("-" for gains)	-13,094,699.06	-7,644,000.00
Decreases in deferred income tax assets ("-" for increases)	1,693,821.60	5,517,434.63
Decreases in inventories ("-" for increases)	-26,291,988.36	-97,943,300.31
Decreases in operating receivables ("-" for increases)	-298,182,438.61	265,775,184.43
Increases in operating payables ("-" for decreases)	92,078,882.94	-124,073,133.18
Net cash flow from operating activities	41,509,341.35	283,178,153.11
2. Significant investing and financing activities not involving cash receipts and payments:		
3. Net movement in cash and cash equivalents:		
Closing balance of cash	1,518,802,602.38	1,147,055,380.88
Less: Cash at the beginning of the period	1,147,055,380.88	1,457,596,638.25
Net increase in cash and cash equivalents	371,747,221.50	-310,541,257.37

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

56. Supplementary information of cash flow statements (continued)

(2) Breakdown of cash and cash equivalents

Item	Closing balance	Closing balance for the previous year
I. Cash	1,518,802,602.38	1,147,055,380.88
Including: Cash on hand	7,621.17	20,998.14
Unrestricted bank deposits	1,518,794,981.21	1,147,034,382.74
II. Cash equivalents		
III. Balance of cash and cash equivalents at the end of the period	1,518,802,602.38	1,147,055,380.88

(3) Cash and bank balances not classified as cash and cash equivalents

Item	Closing balance	Closing balance for the previous year	Reasons for not classified as cash and cash equivalents
Bank deposits	200,000,000.00	560,000,000.00	Time deposits
Accrued interest on deposits	5,061,756.08	3,303,994.46	Interest accrued but not yet due on bank deposits
Bank deposits	32,071,972.20	36,597,409.78	Restricted right of use
Total	237,133,728.28	599,901,404.24	/

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

56. Supplementary information of cash flow statements (continued)

(4) *Supplier financing arrangement*

① *Terms and conditions of the supplier financing arrangement*

Supplier financing arrangement: reverse factoring. The Company carries out reverse factoring business through the supply chain financial service platform of “China Enterprise Cloud Chain Cloud Trust and CRCC Bank Trust” (hereinafter referred to as Cloud Trust and Bank Trust), providing services to the sellers of electronic debt certificates held by the “Cloud Trust and Bank Trust” platform that are due and payable by the Company. The Company generates electronic debt certificates based on real accounts receivable information and trade background information on the “Cloud Trust and Bank Trust” platform. The Company’s performance of its payment obligations under the electronic debt certificates is unconditional and irrevocable, and is not affected by any commercial disputes between the parties involved in the circulation of the electronic debt certificates. The Company does not claim set-off nor does it raise any defense with respect to such payment liability. The Company will transfer an amount equivalent to the amount under the electronic debt certificate on the promised payment date in accordance with the business rules of the “Cloud Trust and Bank Trust” platform. Electronic debt certificates can be transferred, financed and pledged. Upon maturity of an electronic debt certificate, the Company will transfer the corresponding funds to the payment account, and the “Cloud Trust and Bank Trust” platform will then allocate funds to the final holder of the electronic debt certificate based on the “Final Repayment Breakdown”.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

56. Supplementary information of cash flow statements (continued)

(4) *Supplier financing arrangement (continued)*

② *Items presented in the balance sheet and relevant information*

Items presented	Closing balance
Accounts payable	241,281,183.26
Including: Amount received by the suppliers	1,583,293.33

③ *Interval of payment due date*

Item	As at the end of the period
Liabilities under such arrangement	Payment in accordance with the terms of the purchase and sales contract
Comparable accounts payable not under such arrangement	Payment in accordance with the terms of the purchase and sales contract

④ *Current changes not involving cash receipts and payments*

The above changes in the financial liabilities of the Company do not include the impact of corporate mergers and exchange rate fluctuations.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

57. Foreign currency monetary items

Item	Closing balance of foreign currency	Exchange rate for conversion	Closing balance of foreign currency in RMB
Cash and bank balances			
Including: USD	9,057,953.21	7.0288	63,666,541.52
Euro	6,634,375.53	8.2355	54,637,399.68
Hong Kong dollars	94,283,762.90	0.90322	85,158,980.33
Swiss Franc	2,346,779.21	8.8510	20,771,342.78
Accounts receivable			
Including: USD	25,370,615.93	7.0288	178,324,985.24
Euro	2,855,007.54	8.2355	23,512,414.62
Hong Kong dollars	2,848,359.07	0.90322	2,572,694.88
Swiss Franc	511,074.79	8.8510	4,523,522.97

58. Lease

(1) As a lessee

The Company's anticipated cash outflows from leases in future years, committed but not commenced, are as follows:

Subsequent to the balance sheet date	Closing balance
Within 1 year	1,929,049.95
1-2 years	1,929,049.95
2-3 years	1,929,049.95
Over 3 years	7,716,199.80
Total	13,503,349.65

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

58. Lease (continued)

(2) As a lessor

Finance lease

Undiscounted lease payments to be received after the balance sheet date each year and total undiscounted lease payments to be received over the remaining years

Subsequent to the balance sheet date	At the end of the period
First year	5,113,196.16
Second year	4,382,740.48
Third year	1,131,147.56
Fourth year	94,262.30
Total	10,721,346.50

Operating lease

Item	Amount for the current period
Lease income	7,606,331.74

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

VI. INTERESTS IN OTHER ENTITIES

Interests in subsidiaries

(1) Group members

Name of subsidiary	Registered capital	Type of legal person	Principal place of business	Place of registration	Nature of business	Shareholding ratio (%)		
						Direct	Indirect	Obtained by
Beijing Ruiweitong Engineering Machinery Co., Ltd.	CNY 273,880,212.32	Limited liability	Beijing	Beijing	Industrial manufacturing	100.00		Investment
Beijing Kunweitong Railway Mechanization Engineering Co., Ltd.	CNY 60,000,000.00	Limited liability	Beijing	Beijing	Construction	100.00		Investment
Zhengzhou Railway Construction Equipment Technology Co., Ltd.	CNY 70,000,000.00	Limited liability	Zhengzhou	Zhengzhou	Industrial manufacturing	51.00		Investment
CRCC Yukun Limited	HKD 10,000.00	Limited liability		Hong Kong	Holding investment	100.00		Business combination under common control
CECIDEON Engineering GmbH & Co. KG	EUR 500,000.00	Limited partnership	Germany	Germany	Mechanical design		100.00	Not under common control
CECIDEON Engineering Verwaltungs GmbH	EUR 26,000.00	Limited liability	Germany	Germany	Mechanical design		100.00	Not under common control
CECIDEON Engineering Schweiz AG	CHF 160,000.00	Limited liability	Switzerland	Switzerland	Mechanical design		100.00	Not under common control

Explanation: As of 31 December 2025, none of the subsidiaries had issued any debt securities at the end of the year or at any time during the year (2024: Nil).

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

VI. INTERESTS IN OTHER ENTITIES (continued)

Interests in subsidiaries (continued)

(2) Major non-wholly-owned subsidiaries

Name of the subsidiary	Shareholding ratio of minority shareholders (%)	Profit or loss attributable to minority shareholders in the current period	Dividends declared to minority shareholders in the current period	Closing balance of minority interests
Zhengzhou CRCC Equipment Technology Co., Ltd.	49.00	175,209.10		35,261,646.22

(3) Key financial information of major non-wholly-owned subsidiaries

Name of the subsidiary	Current assets	Non-current assets	Closing balance		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
Zhengzhou CRCC Equipment Technology Co., Ltd.	83,604,586.30	40,414,647.49	124,019,233.79	41,473,174.54	10,502,283.04	51,975,457.58

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

VI. INTERESTS IN OTHER ENTITIES (continued)

Interests in subsidiaries (continued)

(3) Key financial information of major non-wholly-owned subsidiaries (continued)

Continued (1):

Name of the subsidiary	Current assets	Non-current assets	Closing balance for the previous year			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Zhengzhou CRCC Equipment Technology Co., Ltd.	85,719,836.20	42,739,221.69	128,459,057.89	42,490,386.20	14,283,452.22	56,773,838.42

Continued (2):

Name of the subsidiary	Amount for the current period				Amount for the previous period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Zhengzhou CRCC Equipment Technology Co., Ltd.	71,232,795.34	357,569.59	358,556.74	-25,301,618.84	35,394,804.97	1,312,879.45	1,311,892.30	3,139,793.31

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

VII. GOVERNMENT GRANTS

Government grants included in the current profit or loss

Income-related government grants

Items included in the current profit or loss or offset the loss of related costs and expenses	Amount of government grants	Amount included in the current profit or loss or offset the loss of related costs and expenses	
		Amount for the current period	Amount for the previous period
Included in the current profit or loss	5,784,430.54	5,784,430.54	10,883,420.69

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The Company's financial instruments mainly include cash and bank balances, bills receivable, accounts receivable, receivables financing, other receivables, non-current assets due within one year, other current assets, other equity instrument investments, long-term receivables, bills payable, accounts payable, other payables, and lease liabilities. Details of each financial instrument are disclosed in the respective notes. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are described below. The management of the Company manages and monitors these exposures to ensure that the above risks are controlled within limits.

1. Risk management objectives and policies

The main risks resulting from the Company's financial instruments are credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and commodity price risk).

The Company's objective of risk management is to strike an appropriate balance between risks and returns, minimise the negative impact of risks on the Company's operating results and maximise the interests of shareholders and other equity investors. Based on this risk management objective, the Company's basic strategy for risk management is to identify and analyse the various risks to which the Company is exposed, establish an appropriate risk tolerance floor and conduct risk management, and monitor various risks in a timely and reliable manner in order to keep the risks within limits.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

The Board of Directors is responsible for planning and establishing the Company's risk management structure, formulating the Company's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Company has developed risk management policies to identify and analyze the risks confronting the Company. These risk management policies clearly stipulate specific risks, covering many aspects such as market risk, credit risk and liquidity risk management. The Company regularly evaluates the market environment and changes in the Company's business activities to determine whether to update the risk management policy and system. The Company's risk management is carried out by the risk management committee in accordance with the policies approved by the Board of Directors. The risk management committee works closely with other business departments of the Company to identify, evaluate and avoid related risks. The internal audit department of the Company conducts regular audits on risk management control and procedures, and reports the audit results to the audit committee of the Company.

(1) Credit risk

Credit risk refers to the risk where the counterparty fails to discharge its obligation under the terms of the financial instrument and causes a financial loss to the Group.

The Company manages credit risk on a group basis. Credit risk mainly arises from bank deposits, bills receivable, accounts receivable, receivables financing, contract assets, other receivables, long-term receivables, etc.

The Company's bank deposits are mainly placed with reputable financial institutions with high credit ratings, and the Company does not expect its bank deposits to be exposed to significant credit risk.

The Company has policies to limit the credit exposure on bills receivable, accounts receivable, receivables financing, contract assets, other receivables and long-term receivables. The Company assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, their credit history and other factors such as current market conditions. The Company monitors the credit history of its customers on a regular basis. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Company is limited to a controllable extent.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(2) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations settled with cash or other financial assets delivery.

The Company's policy is to ensure it has sufficient cash to settle the debts when they fall due. The Company's finance department centralized control on liquidity risk. Through monitoring cash balance, readily realizable marketable securities and the rolling forecasts of cash flow for the next 12 months, the finance department will ensure it has sufficient funds to settle its debts under all reasonably foreseeable circumstances, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements. Financial liabilities of the Company are presented by maturity date as follows:

Item	On demand	Within 1 year	Closing balance			Total
			1-2 years	2-5 years	Over 5 years	
Financial liabilities:						
Bills payable		606,019,885.81				606,019,885.81
Accounts payable		1,754,353,099.05				1,754,353,099.05
Other payables		59,586,101.54				59,586,101.54
Other current liabilities (excluding deferred income)		48,591,511.91				48,591,511.91
Lease liabilities		1,576,336.61	1,623,626.70	5,169,021.82	3,709,634.52	12,078,619.65
Total financial liabilities		2,470,126,934.92	1,623,626.70	5,169,021.82	3,709,634.52	2,480,629,217.96

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(2) Liquidity risk (continued)

Item	On demand	Within 1 year	Closing balance for the previous year			Total
			1-2 years	2-5 years	Over 5 years	
Financial liabilities:						
Bills payable		546,907,509.65				546,907,509.65
Accounts payable		1,901,162,903.70				1,901,162,903.70
Other payables		51,548,925.49				51,548,925.49
Other current liabilities (excluding deferred income)		54,573,280.19				54,573,280.19
Lease liabilities		1,809,787.64	1,864,081.27	5,934,539.45	6,484,831.50	16,093,239.86
Total financial liabilities		2,556,002,406.67	1,864,081.27	5,934,539.45	6,484,831.50	2,570,285,858.89

(3) Market risk

Market risk, including interest rate risk, foreign exchange rate risk and foreign currency risk, refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the changes in market price.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(3) *Market risk (continued)*

Interest rate risk

Interest rate risk refers to the risks of fluctuation in the fair value or future cash flows of financial instruments due to changes in market interest rate. Interest rate risk arises from recognized interest-bearing financial instruments and unrecognized financial instruments (such as certain loan commitments).

Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, while financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Company determines the relative proportions of fixed-rate and floating-rate contracts based on market conditions and maintains an appropriate mix of fixed-rate and floating-rate instruments through regular reviews and monitoring.

As at 31 December 2025 and 31 December 2024, the Group did not have any balance of interest-bearing borrowings.

Exchange rate risk

Exchange rate risk refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in foreign exchange rate.

The Company continuously monitors the scale of foreign currency transactions and foreign currency assets and liabilities to minimize its exposure to foreign exchange risks. In this regard, the Company may enter into forward foreign exchange contracts or currency swap contracts to avoid exchange rate risks. During the current period and the previous period, the Company did not enter into any forward foreign exchange contracts or currency swap contracts.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(3) Market risk (continued)

Exchange rate risk (continued)

The exchange rate risk the Company is exposed to mainly arises from financial assets and financial liabilities denominated in US dollars or Euro. The foreign currency financial assets and liabilities held by the Group were converted to RMB as follows:

Unit: RMB

Item	Closing balance			Closing balance for the previous year		
	Euro	Other foreign currencies	Total	Euro	Other foreign currencies	Total
Cash and bank balances	54,637,399.68	169,596,864.63	224,234,264.31	39,899,839.34	52,164,544.59	92,064,383.93
Accounts receivable	23,512,414.62	185,421,203.09	208,933,617.71	24,592,801.02	240,708,108.22	265,300,909.24
Total	78,149,814.30	355,018,067.72	433,167,882.02	64,492,640.36	292,872,652.81	357,365,293.17

At the end of the period, assuming a 5% appreciation or depreciation of Renminbi against foreign currencies with all other variables held constant, the shareholders' equity and net profit of the Company will both decrease or increase by approximately RMB18,409,600 (at the end of the previous year: approximately RMB15,188,000).

Other price risks

Other price risks refer to the risks of fluctuations due to changes in market price other than exchange rate risk and interest rate risk, whether these changes are caused by factors related to individual financial instruments or their issuers, or by factors related to all similar financial instruments traded in the market. Other price risks may arise from changes in commodity prices, stock market indices, equity instrument prices and other risk variables.

Investments in listed equity instruments classified as other equity instrument investments held by the Company are measured at fair value at the balance sheet date. Accordingly, the Company is exposed to the risk of changes in the securities market.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(3) Market risk (continued)

Other price risks (continued)

The Company closely monitors the impact of price movements on the price risk of the Company's equity securities investments. The Company has not taken any measures to hedge against other price risk at present. However, the management is responsible for monitoring other price risks and will consider mitigating the price risk of equity securities investments by holding a diversified portfolio of equity securities as and when required.

The effect on the Company's profit or loss and other comprehensive income after tax of a 0.5% (previous year: 0.5%) change in the price of equity securities investments in the current year, with all other variables held constant, is as follows (in RMB):

Item	Increase (decrease) in profit after tax		Increase (decrease) in other comprehensive income	
	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period
Increase in price of equity securities investments			2,136,228.50	1,995,868.00
Decrease in price of equity securities investments			-2,136,228.50	-1,995,868.00

2. Capital management

The Company's capital management policy is aimed at safeguarding the Company's ability to continue as a going concern, thereby providing returns to shareholders and benefits to other stakeholders.

The Company has set a capital amount that is proportional to the risk. The capital structure is adjusted according to the change of economic environment and the risk characteristics of the target assets. In order to maintain or adjust the capital structure, the Company may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or other equity instruments or sell assets to reduce liabilities.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

VIII. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

2. Capital management (continued)

The Company monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes net amount of bills payable, accounts payable and other payables minus cash. Capital refers to capital attributable to shareholders of the parent. The Company's gearing ratio at each balance sheet date was as follows:

Item	Closing balance	Closing balance for the previous year
Total debts	3,144,041,286.03	3,076,604,198.03
Less: Cash and cash equivalents	1,518,802,602.38	1,147,055,380.88
Advance received	11,076,398.49	427,978.43
Contract liabilities	488,795,192.03	321,860,381.80
Employee benefits payable	22,681,388.34	28,144,645.17
Taxes payable	85,979,298.23	94,108,890.64
Non-current liabilities due within one year	28,730,049.43	42,047,682.57
Deferred income	10,295.28	39,510.45
Deferred income tax liabilities	26,139,446.27	19,689,250.08
Adjusted net debt	961,826,615.58	1,423,230,478.01
Owners' equity	6,173,560,435.72	6,039,184,743.58
Adjusted capital	6,173,560,435.72	6,039,184,743.58
Gearing ratio	13.48%	19.07%

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

IX. FAIR VALUE

The fair value hierarchy is classified based on the lowest level of inputs in the fair value measurement which are significant to the measurement as a whole:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: observable inputs other than quoted market prices for assets or liabilities within Level 1 that are used either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: assets or liabilities are measured using any inputs that are not based on observable market data (unobservable inputs).

Items measured at fair value and their amounts

Assets and liabilities measured at fair value at the end of the period using the above three levels are presented below:

Item	Measurement of fair value at level 1	Measurement of fair value at level 2	Measurement of fair value at level 3	Total
Continuous measurement at fair value				
(i) Receivables financing		28,604,324.82		28,604,324.82
(ii) Other equity instrument investments	502,642,000.00			502,642,000.00
Total assets not continuously measured at fair value	502,642,000.00	28,604,324.82		531,246,324.82

The Company's other investments in equity instruments measured at level 1 fair value are publicly issued shares of Zhuzhou CRRC Times Electric Co., Ltd. held by the Company not for short-term trading, and the fair value represents the share price as of 31 December 2025.

The receivables financing measured at the level 2 fair value held by the Company are bills receivable. The discounted cash flow method is used to determine the fair value, and the discount rate of bank acceptance bills for the same period is used as the discount rate.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS

1. Parent company of the Company

Name of parent company	Place of registration	Business nature	Registered capital (RMB0'000)	Shareholding of the parent company in the Company (%)	Proportion of voting rights of the parent company in the Company (%)
China Railway Construction Corporation Limited	Beijing	Civil engineering construction industry	1,357,954.15	65.0039	65.0039

The ultimate controlling party of the Company is China Railway Construction Group Corporation.

2. Information on subsidiaries of the Company

Please refer to Note VI for details of subsidiaries.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

3. Information on other related parties of the Company

Name of related parties	Relationship with the Company
CRCC Finance Company Limited	Under common control of the same parent company with the Company
China Railway Materials Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 11th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 12th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 14th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 15th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 16th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 17th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 18th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 19th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 20th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 23rd Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 24th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway 25th Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway Shanghai Design Institute Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway Construction South China Construction Co., Ltd.	Under common control of the same parent company with the Company
China Civil Engineering Construction Corporation	Under common control of the same parent company with the Company
China Railway Construction Heavy Industry Corporation Limited	Under common control of the same parent company with the Company
China Railway Construction Investment Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway Construction Electrification Bureau Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway Construction Development Group Co., Ltd.	Under common control of the same parent company with the Company

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

3. Information on other related parties of the Company (continued)

Name of related parties	Relationship with the Company
China Railway 4th Survey and Design Institute Group Co., Ltd.	Under common control of the same parent company with the Company
China Railway Construction Corporation Co., Ltd.	Under common control of the same parent company with the Company
Taiyuan Rail Transit Line 1 Construction and Operation Co., Ltd.	Joint venture of the parent company
Chongqing Rail Line 18 Construction and Operation Co., Ltd.	Joint venture of the parent company
CRCC Financial Leasing Co., Ltd.	Under common control of the same ultimate controlling party with the Company
China Railway Construction Jinli Assets Management Co., Ltd.	Under common control of the same ultimate controlling party with the Company

4. Related-party transactions

(1) Related-party purchases and sales

① Purchase of goods and receipt of services

Related party	Content of related-party transaction	Amount for the current period	Amount for the previous period
CRCC Financial Leasing Co., Ltd.	Purchase of goods	43,982,300.88	
China Railway Construction Heavy Industry Corporation Limited	Receipt of services	9,886,844.09	
China Railway Construction Heavy Industry Corporation Limited	Purchase of goods	3,586,828.30	34,215,576.89
China Railway 16th Bureau Group Co., Ltd.	Purchase of goods	2,097,692.48	
China Railway Materials Group Co., Ltd.	Purchase of goods	1,803,393.49	803,076.72
China Railway 14th Bureau Group Co., Ltd.	Purchase of goods	292,212.39	
China Railway Construction Development Group Co., Ltd.	Purchase of goods	190,045.09	239,823.01
China Railway 4th Survey and Design Institute Group Co., Ltd.	Receipt of services	92,452.83	189,693.40
China Railway 23rd Bureau Group Co., Ltd.	Receipt of services		941,433.96

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

4. Related-party transactions (continued)

(1) Related-party purchases and sales (continued)

② Sale of goods and rendering of services (continued)

Related party	Content of related-party transaction	Amount for the current period	Amount for the previous period
China Railway Construction Corporation Co., Ltd.	Sale of goods	25,680,516.21	105,715,921.93
China Railway Construction Electrification Bureau Group Co., Ltd.	Sale of goods	23,452,975.42	90,771,254.53
China Railway 18th Bureau Group Co., Ltd.	Sale of goods	9,380,530.97	13,303,287.61
China Railway Construction Heavy Industry Corporation Limited	Sale of goods	8,861,206.15	5,173,785.96
China Railway 17th Bureau Group Co., Ltd.	Sale of goods	6,106,194.69	
China Civil Engineering Construction Corporation	Sale of goods	5,086,594.70	34,229,328.33
China Railway 12th Bureau Group Co., Ltd.	Rendering of services	4,293,257.75	16,615.09
China Railway 24th Bureau Group Co., Ltd.	Rendering of services	2,693,990.99	51,269.19
Chongqing Rail Line 18 Construction and Operation Co., Ltd.	Rendering of services	2,410,247.17	
China Railway Materials Group Co., Ltd.	Rendering of services	1,694,968.52	1,078,616.33
China Railway 11th Bureau Group Co., Ltd.	Rendering of services	1,651,376.15	4,588,495.58
China Railway 23rd Bureau Group Co., Ltd.	Rendering of services	1,403,669.73	
China Railway Materials Group Co., Ltd.	Sale of goods	1,194,446.04	
Taiyuan Rail Transit Line 1 Construction and Operation Co., Ltd.	Rendering of services	1,029,561.32	
China Railway Shanghai Design Institute Group Co., Ltd.	Sale of goods	31,858.41	
China Railway 25th Bureau Group Co., Ltd.	Sale of goods	17,699.12	
China Railway 14th Bureau Group Co., Ltd.	Rendering of services		20,044,247.78
China Railway 15th Bureau Group Co., Ltd.	Sale of goods		12,328,746.89
Taiyuan Rail Transit Line 1 Construction and Operation Co., Ltd.	Sale of goods		6,974,867.26
China Railway 19th Bureau Group Co., Ltd.	Rendering of services		5,466,388.99
China Railway 11th Bureau Group Co., Ltd.	Sale of goods		2,459,508.24
China Railway 20th Bureau Group Co., Ltd.	Sale of goods		18,546.01
China Railway 25th Bureau Group Co., Ltd.	Rendering of services		3,056.60

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

4. Related-party transactions (continued)

(2) Related-party lease

① The Company as a lessor

Name of lessee	Type of leased asset	Lease income recognized in the current period
China Railway Construction Heavy Industry Corporation Limited	Property	709,853.34

② The Company as a lessee

Name of lessor	Type of leased asset	Lease payable for the current period
China Railway Construction Heavy Industry Corporation Limited	Machinery equipment	3,571,639.42
China Railway Construction Heavy Industry Corporation Limited	Property	89,412.77

(3) Key management remuneration

Item	Amount for the current period (RMB0,000)	Amount for the previous period (RMB'0,000)
Key management remuneration	664.94	1,040.82

With effect from the 2025 first extraordinary general meeting, the Company has abolished the supervisory committee, the Audit and Risk Management Committee of the Board shall exercise the powers and functions of the supervisory committee as stipulated in the Company Law, and the positions of the supervisors have been automatically terminated. The key management personnel of the Company include Directors and senior management. The key personnel, Mr. Lyu Jing and Mr. Xie Huagang, have waived their remuneration from the Company. There is no waiver of remuneration by other Directors of the Company, and the Company is not required to pay any amount to facilitate the joining of Directors. No payment shall be made to reimburse the Director for the loss of office.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

4. Related-party transactions (continued)

(3) Key management remuneration (continued)

In 2025, the remuneration of each Director is as follows:

Unit: RMB'000

Name	Director position	Basic salary	Payment of performance-based salary for 2024	Meeting allowance	Work subsidy assessment and settlement	Corporate contributions to four insurances and one fund	Total
Tong Pujiang	Chairman and executive Director	34.00	41.87			11.24	87.11
Xiang Daqiang	Executive Director	34.00	28.21			16.98	79.19
Chen Yongxiang	Executive Director	28.56	32.87			11.29	72.72
Mo Bin	Employee Director	27.88	31.90			11.29	71.07
Lyu Jing	Non-executive Director						
Xie Huagang	Non-executive Director						
Wu Yuntian	Independent non-executive Director	6.00		6.80	2.00		14.80
Na Pengjie	Independent non-executive Director	6.00		6.80			12.80
Chu Ching	Independent non-executive Director	6.00		7.20			13.20

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

4. Related-party transactions (continued)

(3) Key management remuneration (continued)

In 2024, the remuneration of each Director and Supervisor is as follows:

Unit: RMB'000

Name	Director/Supervisor position	Basic salary	Payment of performance-based salary for 2023	Corporate contributions to four insurances and one fund	Total
Tong Pujiang	Chairman and executive Director	18.67		6.68	25.35
Xiang Daqiang	Executive Director	25.17		11.00	36.17
Chen Yongxiang	Executive Director	26.34	93.46	11.08	130.88
Mo Bin	Executive Director	23.38	31.69	11.07	66.14
Zhou Huipeng	Executive Director	11.24		5.34	16.58
Lyu Jing	Non-executive Director				
Xie Huagang	Non-executive Director				
Wu Yuntian	Independent non-executive Director	8.00			8.00
Na Pengjie	Independent non-executive Director	10.00			10.00
Chu Ching	Independent non-executive Director	10.00			10.00
Liang Zhijian	Chairman of Supervisory Committee and employee representative Supervisor	20.79	50.35	9.99	81.13
Zhong Xiangjun	Shareholder representative Supervisor				
Wang Huaming	Shareholder representative Supervisor				

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

4. Related-party transactions (continued)

(3) *Key management remuneration (continued)*

Only positions related to Directors, excluding positions related to senior management, Party Committee and labour union.

Mo Bin has served as an employee Director since December 2025.

The remuneration of independent Directors and non-executive Directors who do not hold any position in the Company is the actual remuneration received in the current year. The remuneration of Directors who hold positions within the Company is the pre-tax remuneration payable in 2025. The composition of remuneration of Directors who hold positions within the Company comprise the base salary for 2025, performance-based salary for 2024, and corporate contributions to four insurances and one fund.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

4. Related-party transactions (continued)

(3) Key management remuneration (continued)

Top five highest paid individuals:

Four of the five individuals whose remuneration were the highest in the Company for 2025 are Directors (2024: two Directors), whose remunerations were reflected in the table above. The aggregate of the remuneration of the other one (2024: three) individual is as follows:

Unit: RMB0' 000

	2025	2024
Basic salary	27.20	66.20
Performance-based compensation	31.16	191.87
Pension	11.29	36.49
Others		
Total	69.65	294.56

The remuneration of the individuals above falls within the following bands:

Unit: Number

Remuneration bands:	2025	2024
HKD0-HKD1,000,000	1	2
HKD1,000,000-HKD1,500,000		1
HKD1,500,000-HKD2,000,000		

The Company is not required to make, and has not made, any payments for inducing the above highest paid individuals to join the Company; and is not required to make, and has not made, any payments to compensate the above highest paid individuals for leaving the Company.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

5. Accounts receivable from and due to related parties

(1) Accounts receivable from related parties

Item	Related party	Closing balance		Closing balance for the previous year	
		Balance of carrying amount	Bad debt provision	Balance of carrying amount	Bad debt provision
Cash and bank balances	CRCC Finance Company Limited	29,512,418.08		28,907,766.21	
Accounts receivable	China Railway 12th Bureau Group Co., Ltd.	73,084,294.48	73,084.30	68,679,851.00	68,679.85
	China Civil Engineering Construction Corporation	28,203,614.00	28,203.61	54,001,641.00	54,001.64
	China Railway Construction Corporation Co., Ltd.	26,620,761.78	26,620.76	8,740,488.30	8,740.49
	China Railway Construction Electrification Bureau Group Co., Ltd.	23,945,684.66	23,945.68	57,488,788.48	57,488.78
	China Railway 11th Bureau Group Co., Ltd.	12,400,380.57	12,400.38	17,473,210.98	17,473.21
	China Railway 14th Bureau Group Co., Ltd.	11,855,000.00	11,855.00	22,650,000.00	22,650.00
	China Railway 15th Bureau Group Co., Ltd.	11,151,484.00	11,151.48	11,509,926.41	11,509.92
	China Railway Materials Group Co., Ltd.	6,912,172.42	6,912.18		
	China Railway 17th Bureau Group Co., Ltd.	5,520,000.00	5,520.00		
	China Railway 19th Bureau Group Co., Ltd.	3,813,914.00	3,813.91	4,758,364.00	4,758.36
	China Railway 18th Bureau Group Co., Ltd.	2,760,000.00	2,760.00		
	China Railway 24th Bureau Group Co., Ltd.	1,012,175.47	1,012.18	7,810.32	7.81
	China Railway Construction Heavy Industry Corporation Limited	980,695.00	980.70	110,170.84	110.17
	Taiyuan Rail Transit Line 1 Construction and Operation Co., Ltd.	641,018.85	641.02	1,927,740.00	9,638.70
	China Railway 23rd Bureau Group Co., Ltd.	330,000.00	330.00		
	China Railway Construction South China Construction Co., Ltd.			2,103,055.02	2,103.06
	China Railway 20th Bureau Group Co., Ltd.			20,957.00	20.96

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

5. Accounts receivable from and due to related parties (continued)

(1) Accounts receivable from related parties (continued)

Item	Related party	Closing balance		Closing balance for the previous year	
		Balance of carrying amount	Bad debt provision	Balance of carrying amount	Bad debt provision
Receivable financing	China Railway Construction Heavy Industry Corporation Limited	600,862.50	851.93		
Bills receivable	China Railway Construction Electrification Bureau Group Co., Ltd.	19,000,000.00	19,000.00	2,000,000.00	2,000.00
	China Railway Construction Heavy Industry Corporation Limited			3,130,000.00	3,130.00
Prepayments	China Railway Materials Group Co., Ltd.	1,083,505.56			
	China Railway 16th Bureau Group Co., Ltd.			711,117.75	
Contract assets	China Railway 11th Bureau Group Co., Ltd.	1,651,376.15	1,651.38		
Other receivables	China Railway 25th Bureau Group Co., Ltd.	20,000.00	100.00		
	China Railway Construction Development Group Co., Ltd.			224,000.00	1,120.00

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

5. Accounts receivable from and due to related parties (continued)

(2) Amounts due to related parties

Item	Related party	Closing balance	Closing balance for the previous year
Accounts payable	China Railway 20th Bureau Group Co., Ltd.	68,662,239.00	80,734,632.67
	China Railway Construction Heavy Industry Corporation Limited	35,611,623.83	26,933,118.73
	China Railway Materials Group Co., Ltd.	1,134,746.66	806,340.67
	China Railway 23rd Bureau Group Co., Ltd.	460,500.00	477,920.00
	China Railway 16th Bureau Group Co., Ltd.	237,039.25	
	China Railway 14th Bureau Group Co., Ltd.	155,033.27	155,033.27
Bills payable	China Railway Materials Group Co., Ltd.	916,470.00	
	China Railway Construction Heavy Industry Corporation Limited	150,550.00	903,843.81
Other payables	China Railway Construction Jinli Assets Management Co., Ltd.	6,000,000.00	6,000,000.00
	China Railway Materials Group Co., Ltd.		25,960.00
	China Railway Construction Investment Group Co., Ltd.		20,000.00
Contract liabilities	China Railway 14th Bureau Group Co., Ltd.	1,592,920.35	1,592,920.35
	China Railway Construction Electrification Bureau Group Co., Ltd.		8,230,088.50
	China Railway 18th Bureau Group Co., Ltd.		6,287,815.97
	China Railway Materials Group Co., Ltd.		5,851,472.09
	China Railway 24th Bureau Group Co., Ltd.		1,769,911.50
	China Railway 17th Bureau Group Co., Ltd.		1,221,238.94

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

X. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (continued)

6. Centralized management of funds

(1) *The main contents of the centralized management of funds that the Company participates in and implements are as follows:*

The Company imposes centralized management over the funds of the parent company and Group members through the internally established settlement center and finance company in accordance with the requirements of relevant laws and regulations.

(2) *Funds collected by the Company to the parent company*

Funds not collected to the account of the parent company but instead deposited directly in the finance company

Item	Closing balance		Closing balance for the previous year	
	Balance of carrying amount	Bad debt provision	Balance of carrying amount	Bad debt provision
Cash and bank balances	29,512,418.08		28,907,766.21	

Funds deposited in the finance company generated interest income of RMB206,397.30 during the current period.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

XI. COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

(1) Capital commitments

Capital commitments that have been contracted but not yet recognized in the financial statements	Closing balance	Closing balance for the previous year
Commitments to acquire fixed assets	9,359,476.75	2,953,814.75

(2) Other commitments

As at 31 December 2025, the Company has no other commitments subject to disclosure.

2. Contingencies

As at 31 December 2025, the Company has no pending litigation, external guarantees or other contingencies subject to disclosure.

XII. EVENTS AFTER THE BALANCE SHEET DATE

On 27 March 2026, the Board of the Company passed a profit distribution proposal: a cash dividend of RMB0.029 (including tax) for every one share is proposed based on the total share capital of 1,519,884,000 shares of the Company as at 31 December 2025, and the proposed cash dividend is RMB44,076,636.00 (including tax). The proposal will be implemented after consideration and approval by the shareholders at the general meeting.

As of 27 March 2026 (the date of approval of the report by the Board), the Company has no other events after the balance sheet date subject to disclosure.

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

XIII. OTHER IMPORTANT MATTERS

1. Correction of accounting errors in prior period

During the reporting period, there was no correction of prior accounting errors.

2. Segment reporting

The Company is mainly engaged in the manufacture of products in the large-scale railway track maintenance machinery industry and the provision of related services. The management determines the reporting segments based on the Company's internal organizational structure, management requirements and internal reporting system, under which, the management decides to allocate resources and evaluate the performance. Relevant internal reports are disclosed in accordance with the accounting policies and measurement basis used when reporting to the management, and such accounting policies and measurement basis are consistent with those used for the preparation of these financial statements. Since the resource allocation and performance evaluation of the Company are based on the overall operation of the manufacture of large-scale railway track maintenance machinery and equipment and the provision of related services, which is also the only operating segment reported internally by the Company, no segment reporting information is presented separately.

Other segment information – Revenue from external transactions by origin of revenue

Item	Amount for the current period	Amount for the previous period
Mainland China	3,177,825,920.56	2,846,015,033.54
Other countries	259,030,430.04	273,605,640.28
Total	3,436,856,350.60	3,119,620,673.82

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY

1. Bills receivable

Category	Closing balance			Closing balance for the previous year		
	Balance of carrying amount	Bad debt provision	Book value	Balance of carrying amount	Bad debt provision	Book value
Bank acceptance bills	273,914.36		273,914.36			
Commercial acceptance bills	282,301,173.15	1,335,505.87	280,965,667.28	351,685,153.65	1,737,905.77	349,947,247.88
Total	282,575,087.51	1,335,505.87	281,239,581.64	351,685,153.65	1,737,905.77	349,947,247.88

(1) *Bills receivable which were endorsed or discounted by the Company at the end of the period but were not due*

Category	Derecognized amount at the end of the period	Not-yet derecognized amount at the end of the period
Commercial acceptance bill	148,267,620.00	5,679,100.00

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

1. Bills receivable (continued)

(2) Classified by bad debt provision method

Category	Balance of carrying amount		Closing balance		Book value
	Amount	Proportion (%)	Bad debt provision Amount	Expected credit loss rate (%)	
Bad debt provision on group	282,575,087.51	100.00	1,335,505.87	0.47	281,239,581.64
Including:					
Commercial acceptance bills	282,301,173.15	99.90	1,335,505.87	0.47	280,965,667.28
Bank acceptance bills	273,914.36	0.10			273,914.36
Total	282,575,087.51	100.00	1,335,505.87	0.47	281,239,581.64

Continued:

Category	Balance of carrying amount		Closing balance for the previous year		Book value
	Amount	Proportion (%)	Bad debt provision Amount	Expected credit loss rate (%)	
Bad debt provision on group	351,685,153.65	100.00	1,737,905.77	0.49	349,947,247.88
Including:					
Commercial acceptance bills	351,685,153.65	100.00	1,737,905.77	0.49	349,947,247.88
Bank acceptance bills					
Total	351,685,153.65	100.00	1,737,905.77	0.49	349,947,247.88

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

1. Bills receivable (continued)

(3) *Accrued, recovered or reversed provision for bad debts in the period*

	Amount of bad debt provision
Opening balance	1,737,905.77
Provision during the period	1,870,976.57
Recovery or reversal during the period	2,273,376.47
Closing balance	1,335,505.87

2. Accounts receivable

(1) *Accounts receivable disclosed by ageing at revenue recognition date*

Ageing	Closing balance	Closing balance for the previous year
Within 1 year	1,347,481,991.95	1,263,351,060.30
1-2 years	269,031,507.40	162,259,914.31
2-3 years	63,101,104.30	146,842,317.10
Over 3 years	146,665,112.71	58,976,476.34
Sub-total	1,826,279,716.36	1,631,429,768.05
Less: Bad debt provision	66,556,403.70	55,902,938.83
Total	1,759,723,312.66	1,575,526,829.22

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

2. Accounts receivable (continued)

(2) Classification by basis of bad debt provisions made

Category	Balance of carrying amount		Closing balance		Book value
	Amount	Proportion (%)	Bad debt provision Amount	Expected credit loss rate (%)	
Bad debt provision on individual basis	3,580,000.00	0.20	3,580,000.00	100.00	
Bad debt provision on group basis	1,822,699,716.36	99.80	62,976,403.70	3.46	1,759,723,312.66
Including:					
Related parties within the scope of consolidation	68,282,675.27	3.74			68,282,675.27
Other related parties	199,653,050.28	10.93	199,653.05	0.10	199,453,397.23
Other external entities	1,554,763,990.81	85.13	62,776,750.65	4.04	1,491,987,240.16
Total	1,826,279,716.36	100.00	66,556,403.70	3.64	1,759,723,312.66

Continued:

Category	Balance of carrying amount		Closing balance for the previous year		Book value
	Amount	Proportion (%)	Bad debt provision Amount	Expected credit loss rate (%)	
Bad debt provision on individual basis	7,160,000.00	0.44	7,160,000.00	100.00	
Bad debt provision on group basis	1,624,269,768.05	99.56	48,742,938.83	3.00	1,575,526,829.22
Including:					
Related parties within the scope of consolidation	8,837,793.13	0.54			8,837,793.13
Other related parties	243,347,386.62	14.92	251,058.34	0.10	243,096,328.28
Other external entities	1,372,084,588.30	84.10	48,491,880.49	3.53	1,323,592,707.81
Total	1,631,429,768.05	100.00	55,902,938.83	3.43	1,575,526,829.22

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

2. Accounts receivable (continued)

(2) Classification by basis of bad debt provisions made (continued)

Accounts receivable with bad debt provision on individual basis

Name	Balance of carrying amount	Closing balance		Basis for provision
		Bad debt provision	Expected credit loss rate (%)	
Entity 1	3,580,000.00	3,580,000.00	100.00	Long outstanding

Continued:

Name	Balance of carrying amount	Closing balance for the previous year		Basis for provision
		Bad debt provision	Expected credit loss rate (%)	
Entity: 1	7,160,000.00	7,160,000.00	100.00	Long outstanding

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

2. Accounts receivable (continued)

(3) Accrued, recovered or reversed provision for bad debts in the period

	Amount of bad debt provision
Opening balance	55,902,938.83
Provision during the period	28,354,180.08
Recovery or reversal during the period	17,700,715.21
Closing balance	66,556,403.70

(4) Top five debtors of accounts receivable and contract assets in terms of closing balance

Name	Closing balance of accounts receivable	Closing balance of contract assets	Closing balance of accounts receivable and contract assets	Proportion in the total amount of closing balance of accounts receivable and contract assets (%)	Closing balance of bad debt provision for accounts receivable and impairment provision for contract assets
First	176,307,671.15		176,307,671.15	9.65	7,023,318.61
Second	154,675,829.74		154,675,829.74	8.46	773,379.15
Third	73,088,612.40		73,088,612.40	4.00	365,443.06
Fourth	71,672,921.02		71,672,921.02	3.92	358,364.61
Fifth	68,662,239.00		68,662,239.00	3.76	68,662.24
Total	544,407,273.31		544,407,273.31	29.79	8,589,167.67

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Other receivables

Item	Closing balance	Closing balance for the previous year
Other receivables	171,877,787.18	174,063,050.38

Other receivables

① *Disclosure by ageing at date of transaction*

Ageing	Closing balance	Closing balance for the previous year
Within 1 year	168,169,701.09	168,214,985.93
1-2 years	2,693,012.00	4,595,876.30
2-3 years	912,626.24	39,620,805.64
Over 3 years	40,287,411.06	1,605,859.68
Sub-total	212,062,750.39	214,037,527.55
Less: Bad debt provision	40,184,963.21	39,974,477.17
Total	171,877,787.18	174,063,050.38

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Other receivables (continued)

② *Bad debt provision*

Provision for bad debt in the first stage at the end of the period

Category	Balance of carrying amount	Expected credit loss rate over the next 12 months (%)	Bad debt provision	Book value
Bad debt provision on individual basis				
Bad debt provision on group basis	173,789,485.82	1.10	1,911,698.64	171,877,787.18
Related parties within the scope of consolidation	133,457,695.51			133,457,695.51
Other related parties	20,000.00	0.50	100.00	19,900.00
Other external entities	40,311,790.31	4.74	1,911,598.64	38,400,191.67
Total	173,789,485.82	1.10	1,911,698.64	171,877,787.18

At the end of the period, the Company did not have any other receivables in the second stage.

Provision for bad debt in the third stage at the end of the period

Category	Balance of carrying amount	Expected credit loss rate over the lifetime (%)	Bad debt provision	Book value
Bad debt provision on individual basis	38,273,264.57	100.00	38,273,264.57	
Entity 1 of other receivables	38,273,264.57	100.00	38,273,264.57	
Bad debt provision on group basis				
Total	38,273,264.57	100.00	38,273,264.57	

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Other receivables (continued)

② **Bad debt provision** (continued)

Provision for bad debt in the first stage at the end of last year

Category	Balance of carrying amount	Expected credit loss rate over the next 12 months (%)	Bad debt provision	Book value
Bad debt provision on individual basis				
Bad debt provision on group basis	175,764,262.98	0.97	1,701,212.60	174,063,050.38
Related parties within the scope of consolidation	147,338,345.04			147,338,345.04
Other related parties	224,000.00	0.50	1,120.00	222,880.00
Other external entities	28,201,917.94	6.03	1,700,092.60	26,501,825.34
Total	175,764,262.98	0.97	1,701,212.60	174,063,050.38

At the end of last year, the Company did not have any other receivables in the second stage.

Provision for bad debt in the third stage at the end of last year

Category	Balance of carrying amount	Expected credit loss rate over the lifetime (%)	Bad debt provision	Book value
Bad debt provision on individual basis	38,273,264.57	100.00	38,273,264.57	
Entity 1 of other receivables	38,273,264.57	100.00	38,273,264.57	
Bad debt provision on group basis				
Total	38,273,264.57	100.00	38,273,264.57	

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

3. Other receivables (continued)

③ *Accrued, recovered or reversed provision for bad debts in the period*

Bad debt provision	First stage Expected credit loss in the next 12 months	Second stage Lifetime expected credit loss (not credit-impaired)	Third stage Lifetime expected credit loss (credit-impaired)	Total
Opening balance	1,701,212.60		38,273,264.57	39,974,477.17
Opening balance in the current period	1,701,212.60		38,273,264.57	39,974,477.17
Provision during the period	895,379.25			895,379.25
Reversal during the period	684,893.21			684,893.21
Closing balance	1,911,698.64		38,273,264.57	40,184,963.21

④ *Top five debtors of other receivables in terms of closing balance*

Name	Nature	Closing balance of other receivables	Ageing	Proportion in the total amount of closing balance of other receivables (%)	Closing balance of bad debt provision
First	Others	117,441,813.06	Within 1 year	55.38	
Second	Compensation	38,273,264.57	Over 3 years	18.05	38,273,264.57
Third	Others	16,015,882.45	Within 1 year	7.55	
Fourth	Deposit	8,209,437.76	Within 2 years	3.87	41,947.19
Fifth	Deposit	3,124,950.20	Within 4 years	1.47	115,322.99
Total		183,065,348.04		86.32	38,430,534.75

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

4. Long-term equity investment

Item	Balance of carrying amount	Closing balance		Closing balance for the previous year		
		Provision for impairment	Book value	Balance of carrying amount	Provision for impairment	Book value
Investment in subsidiaries	417,576,012.32		417,576,012.32	417,576,012.32		417,576,012.32

Investment in subsidiaries

Investee	Book value at the beginning of the period	Movements in the current period				Book value at the end of the period
		Adding investment	Decreasing investment	Provision for impairment	Others	
Beijing Kunweitong Railway Mechanization Engineering Co., Ltd.	60,000,000.00					60,000,000.00
Beijing Ruiweitong Engineering Machinery Co., Ltd.	321,876,012.32					321,876,012.32
Zhengzhou CRCC Equipment Technology Co., Ltd.	35,700,000.00					35,700,000.00
CRCC Yukun Limited						
Total	417,576,012.32					417,576,012.32

NOTES TO FINANCIAL STATEMENTS

For the Year 2025 (Amounts expressed in RMB unless otherwise specified)

XIV. NOTES TO KEY ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (continued)

5. Operating revenue and operating cost

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal business	3,079,106,124.45	2,603,167,101.64	2,887,121,350.36	2,397,003,340.32
Other business	29,934,175.40	27,023,083.51	25,349,873.31	25,985,064.61
Total	3,109,040,299.85	2,630,190,185.15	2,912,471,223.67	2,422,988,404.93

6. Investment income

Item	Amount for the current period	Amount for the previous period
Dividend income from other equity instrument investments	14,112,000.00	7,644,000.00
Long-term equity investment accounted for by cost method	6,865,079.27	1,768,117.85
Investment income from derecognition of receivables financing	-34,663.15	
Gain on derecognition of financial assets measured at amortized cost	-982,637.79	
Total	19,959,778.33	9,412,117.85

CRCC High-Tech Equipment Corporation Limited

27 March 2026

BASIC CORPORATE INFORMATION

Name in Chinese	中國鐵建高新裝備股份有限公司
Name in English	CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED
Authorized representatives	Chen Yongxiang (陳永祥) Law Chun Biu (羅振鬯)
Joint company secretaries	Li Wanqing (李萬清) Law Chun Biu (羅振鬯)
Registered office	No. 384, Yangfangwang Jinma Township China (Yunnan) Pilot Free Trade Zone
Telephone	+86 871 63831988
Fax	+86 871 63831000
Website	http://www.crcce.com.cn
Principal place of business in Hong Kong	23/F, Railway Plaza 39 Chatham Road South Tsim Sha Tsui Kowloon Hong Kong
Listing information	H Share The Stock Exchange of Hong Kong Limited Stock Code: 1786 Stock Abbreviation: CRCCE
H share registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

BASIC CORPORATE INFORMATION

Legal advisers

Baker & McKenzie
14th Floor, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Jia Yuan Law Offices
F408, Ocean Plaza
158 Fuxing Men Nei Street Xicheng District
Beijing, the PRC

Auditor

Grant Thornton Zhitong Certified Public Accountants LLP
5th Floor, Scitech Place
22 Jianguomen Wai Avenue, Chaoyang District
Beijing, the PRC

DEFINITIONS

“Articles of Association” or “Articles”	articles of association of the Company
“Board” or “Board of Directors”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code set out in Appendix C1 of the Listing Rules
“Company” or “CRCCCE”	CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司), a joint stock company incorporated in the PRC with limited liability
“Company Law”	Company Law of the People’s Republic of China, as amended and adopted by the Standing Committee of the Tenth National People’s Congress on 27 October 2005 and effective on 1 January 2006, as amended, supplemented or otherwise modified from time to time, subsequently amended on 28 December 2013 and effective on 1 March 2014, subsequently amended and effective on 26 October 2018, and subsequently amended on 29 December 2023 and effective on 1 July 2024.
“CRCC”	China Railway Construction Corporation Limited (中國鐵建股份有限公司), the controlling shareholder of the Company
“CRCC Finance”	CRCC Finance Company Limited (中國鐵建財務有限公司), a limited liability company incorporated in the PRC, a subsidiary of CRCC and a connected person of the Company
“CRCCG”	China Railway Construction Group Corporation (中國鐵道建築集團有限公司), the indirect controlling shareholder of the Company
“CRCHI”	China Railway Construction Heavy Industry Co., Ltd. (中國鐵建重工集團股份有限公司)
“Director(s)”	the directors of the Company
“Grant Thornton”	Grant Thornton Zhitong Certified Public Accountants LLP
“Group”	the Company and its subsidiaries

DEFINITIONS

“H Share(s)”	overseas listed foreign shares in the share capital of the Company with the nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Kunweitong Company”	Beijing Kunweitong Railway Mechanization Engineering Co., Ltd. (北京昆維通鐵路機械化工程有限公司), a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules
“PRC”	the People’s Republic of China
“Ruiweitong Company”	Beijing Ruiweitong Engineering Machinery Co., Ltd. (北京瑞維通工程機械有限公司), a wholly-owned subsidiary of the Company
“Shareholder(s)”	holder(s) of shares of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Supervisor(s)”	the supervisor(s) of the Company

By Order of the Board
CRCC High-Tech Equipment Corporation Limited
Tong Pujiang
Chairman

Kunming, the People's Republic of China, 27 March 2026

As at the date of this announcement, the Board of the Company comprises Mr. Tong Pujiang, Mr. Xiang Daqiang and Mr. Chen Yongxiang, as executive directors; Mr. Lyu Jing and Mr. Xie Huagang, as non-executive directors; Mr. Wu Yuntian, Mr. Na Pengjie and Ms. Chu Ching, as independent non-executive directors; and Mr. Mo Bin, as employee director.