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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 2021**

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 2021. 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 printed version of the Company's 2021 annual report will be dispatched to the holders of H shares of the Company and available for viewing on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and of the Company at www.crcce.com.cn on or before 30 April 2022.

FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME HIGHLIGHTS

	Year Ended 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	2,185,946	1,558,054	2,125,294	2,437,921	1,846,254
Gross profit	545,004	446,625	597,143	607,837	514,457
Profit before tax	44,545	22,137	142,628	172,389	64,430
Profit for the year	50,376	22,157	122,163	156,360	55,087
Profit attributable to:					
Owners of the parent	50,376	22,157	122,163	156,360	55,087
Non-controlling interests	—	—	—	—	—
Basic earnings per share (RMB/share)	0.03	0.01	0.08	0.10	0.04

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION HIGHLIGHTS

	As at 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Total assets	8,273,340	7,324,557	7,397,162	7,468,152	6,839,934
Total liabilities	2,391,821	1,872,883	1,928,618	1,972,713	1,461,620
Net assets	5,881,520	5,451,674	5,468,544	5,495,439	5,378,315
Equity attributable to owners of the parent	5,881,520	5,451,674	5,468,544	5,495,439	5,378,315

Note: Pursuant to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by the Hong Kong Stock Exchange in December 2010 and amendments to the corresponding Listing Rules, upon approval by the Shareholders at the general meeting of the Company held on 28 June 2021, the Company resolved to prepare financial statements according to the China Accounting Standards for Business Enterprises for information disclosure on the Hong Kong Stock Exchange commencing from financial year 2021. Relevant data for 2017 to 2020 have been restated based on the China Accounting Standards for Business Enterprises.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The year of 2021 not only witnessed the 100th anniversary since the founding of the Chinese Communist Party, also drew open the "14th Five-year" plan. Under the leadership of the Party and the State, we have embarked on a new journey towards the Second Centenary Goal. Confronted with the complicated and grim situation amidst the COVID-19 pandemic, the Company leveraged concerted efforts of the Board, management and all employees to aggressively explore market, focus on operating performance and press ahead with technological innovation, in an endeavor to pursue business success against headwinds.

Over the year, the Company secured new breakthroughs in business operations and achieved substantial improvement in major operating indicators. The Company realized revenue of RMB2,186 million (2020: RMB1,558 million), a year-on-year increase of 40%, net profit attributable to shareholders of the parent of RMB50 million (2020: RMB22 million), a year-on-year increase of 127%, and basic earnings per Share of RMB0.03 (2020: RMB0.01), a year-on-year increase of 200%.

Over the year, the Company further consolidated its technological innovation capacity, as evidenced by the constant optimization of the research and development system, tremendous progress made in product research and development, and improvement of weaknesses in key processes such as intelligent tamping, excavation and screening, and ballastless track disease detection, as well as development of high-frequency vibrating screen, rail milling, dust removal and pollution absorption and other core facilities. Besides, the Company promoted the rapid application of its originally innovated railway dirt suction truck, bridge and tunnel screen cleaner and quick grinding truck, and upgraded major products such as snow removal truck in extremely cold weather and rail milling and grinding truck to fill railway maintenance machine void in the national railway market.

Over the year, the Company secured further progress in diversified business operation, and achieved the gradual shift from component repair to overhaul, which facilitated the transformation of repair activity towards high-end remanufacturing. In addition, it integrated the sales of parts and components with after-sales services, leveraged the National Railway Centre to consolidate resources, standardized channel management and expanded market share to bring new opportunities for the component sales business. The Company continued to step up efforts in small road maintainer and other mini-sized machinery business, and meanwhile cemented the foundation for parallel development of large, middle and small-sized road maintainers.

CHAIRMAN'S STATEMENT

Over the year, the Company witnessed further enhancement in corporate management efficiency, carried forward the "three systems", made constant efforts to optimize governance structure, continued to improve risk management, and expedited lean production, thereby effectively contributing to improvement in working efficiency and product quality, and boosting corporate vitality.

The growth of the Company would not be obtained without the endeavors and supports offered by all Shareholders. On behalf of the Board, I would like to take this opportunity to express my sincere gratitude towards all Shareholders, the general public, extensive customers and all employees for your care and support to our development!

Upholding the spirit of striving for breakthroughs with perseverance and scaling new highs leveraging prudence, in 2022, we will further sharpen our market awareness, identify competitors and cooperators, improve talent cultivation and boost operating efficiency. With a focus on the development goals proposed in the "14th Five-year" plan, the Company will take a lean and intensive growth approach internally, and pursue diversified and efficient development externally through consolidating the railway market, extending presence in the urban rail field, venturing into overseas markets, and materializing innovation of concept, management, technology and business model, in a bid to enhance its development quality, competitiveness, brand reputation and social image, and forge itself into a world-leading overall solution provider for large and intelligent track maintenance equipment!

Liu Feixiang
Chairman

Kunming, Yunnan Province, the PRC
30 March 2022

GENERAL MANAGER'S STATEMENT

Dear Directors,

I am pleased to present the consolidated results of the Company for the year ended 31 December 2021, and I would like to express my most sincere gratitude to all Directors for your continual care and support to the Company.

In 2021, the Company witnessed an overall improvement in its major operating indicators, and achieved revenue of RMB2,186 million and profit of RMB50 million. Throughout the year, we remained dedicated to our aspirations of being responsible to the society, Shareholders and our employees, and under the leadership of the Board, we spared no effort in pursuing quality growth, pressed ahead with in-depth reform and development, expanded operation scale, bolstered technological innovation, and consolidated the foundation of production and manufacturing, which paved the way for industrial development, and secured progress in various tasks. Among our newly introduced product offerings, tunnel screeners and turnout screeners were under onsite application assessment, and dual-power grinding wagon and high-speed grinding wagon penetrated into the metro market, thereby further improving the product mix of the Company. Keeping abreast of market changes, we made steady progress in the railway and overseas markets, maintained growth in the urban rail field and achieved new breakthroughs in integrated package business in metro cities such as Shenzhen, Changsha, Chongqing and Guangzhou. We continued to expedite improvement in production management, supply chain support and quality management, and accelerated the shift to efficient manufacturing with high added value. We stepped up reform efforts in major fields to cement development foundation, promote the organic integration of management and efficiency enhancement, and further improve corporate governance. Meanwhile, we kept up efforts in fulfilling our environmental and social responsibilities by creating 139 employment opportunities throughout the year, and proactively engaging in social welfare activities such as blood donation and giving away materials to schools in impoverished areas, thereby satisfactorily fulfilling our social responsibilities.

The year of 2022 will mark a crucial link for the Company in implementing the “14th Five-year” strategic plan, and also a vital year for us to grasp opportunities and launch reform and innovation for quality development amid the rapid transformation era. Following the establishment of the development pattern in which domestic economic cycle plays a leading role while international economic cycle remains its extension and supplement, the rail transit maintenance and related businesses are well-positioned for further growth. Addressing the expectations of the Directors, the Company will earnestly adapt itself to changes, forge ahead with reform, consolidate the principal business of large-scale track maintenance machines, aggressively venture into new fields, focus on breakthroughs in core and key technologies, expedite transformation to achieve the targets set under the “14th Five-year” plan, and promote quality corporate development, so as to achieve our goal of becoming a world-leading overall solution provider for large and intelligent track maintenance equipment.

GENERAL MANAGER'S STATEMENT

At last, on behalf of the management of the Company, I hereby express my most sincere gratitude to all Directors, the Board and the Supervisory Committee for their care, help and support and to all staff of the Company for their efforts and contributions.

Tong Pujiang

General Manager

Kunming, Yunnan Province, the PRC
30 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

	Twelve months ended 31 December	
	2021	2020
	(RMB million)	(RMB million)
Sales of machinery	1,157.33	595.51
Sales of parts and components	439.16	352.42
Maintenance of railway track maintenance machinery	401.60	437.49
Railway line maintenance services	72.05	71.57
Mechanical design service	87.91	89.92
Revenue from principal business	2,158.05	1,546.91
Revenue from other business	27.90	11.15
Total revenue	2,185.95	1,558.06

The Group's revenue from principal business increased by RMB611.14 million or 39.51% from RMB1,546.91 million for the year ended 31 December 2020 to RMB2,158.05 million for the year ended 31 December 2021.

In 2021, the Group's overall sales revenue increased to a larger extent compared with last year, of which revenue from sales of machinery increased by RMB561.82 million or 94.34% as compared with last year, mainly due to the increase in sales revenue from large-scale road maintenance machinery to China State Railway Group Co., Ltd. and large-scale machinery to the overseas market; revenue from sales of parts and components increased by RMB86.74 million or 24.61% as compared with last year, mainly due to the increase in the market demand for parts and components of large railway track maintenance machinery; revenue from overhaul services decreased by RMB35.89 million or 8.20% as compared with last year, mainly due to the decrease in the quantity at completion of large railway track maintenance machines returned for repair of each railway bureaus; revenue from railway line maintenance services increased by RMB0.48 million or 0.67% as compared with last year, mainly due to the slight increase in the quantity of railway line maintenance services; and revenue from mechanical design service decreased by RMB2.01 million or 2.23% as compared with last year, mainly due to the decrease in completion quantity of orders for design services.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER OPERATING INCOME

The Group's other operating income increased by RMB16.75 million from RMB11.15 million for the year ended 31 December 2020 to RMB27.90 million for the year ended 31 December 2021. The increase in other operating income was primarily due to the increase in asset rental income.

COST OF SALES

The Group's cost of sales increased by RMB529.51 million from RMB1,111.43 million for the year ended 31 December 2020 to RMB1,640.94 million for the year ended 31 December 2021, primarily attributable to a corresponding increase in revenue.

GROSS PROFIT

As a result of the foregoing, the Group's gross profit increased by RMB98.38 million from RMB446.63 million for the year ended 31 December 2020 to RMB545.01 million for the year ended 31 December 2021. The Group's gross profit margin decreased from 28.67% for the year ended 31 December 2020 to 24.93% for the year ended 31 December 2021. The change in gross profit margin was mainly due to the change in gross profit mix of each business segment.

OTHER GAINS

The Group's other gains increased by RMB18.19 million from RMB4.64 million for the year ended 31 December 2020 to RMB22.83 million for the year ended 31 December 2021. The increase in other gains was primarily due to the increase of government grant.

SELLING EXPENSES

The Group's selling expenses increased by RMB16.32 million from RMB96.28 million for the year ended 31 December 2020 to RMB112.60 million for the year ended 31 December 2021, primarily due to the increase in the Group's after-sales service fees in the overseas market and investment in the sales team.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by RMB13.23 million from RMB165.67 million for the year ended 31 December 2020 to RMB178.90 million for the year ended 31 December 2021, primarily due to increase in the Company's human resources cost.

MANAGEMENT DISCUSSION AND ANALYSIS

RESEARCH AND DEVELOPMENT EXPENSES

The Group's research and development expenses increased by RMB32.55 million from RMB147.60 million for the year ended 31 December 2020 to RMB180.15 million for the year ended 31 December 2021, primarily due to the increase in the number of research and development staff and investment in new product research during the year.

FINANCE GAINS

The Group's finance gains increased by RMB0.89 million from RMB24.91 million for the year ended 31 December 2020 to RMB25.80 million for the year ended 31 December 2021. The increase in finance gains was mainly due to the increase in interest income.

IMPAIRMENT LOSSES

The Group's impairment losses increased by RMB18.66 million from RMB42.53 million for the year ended 31 December 2020 to RMB61.19 million for the year ended 31 December 2021. The increase of impairment losses was mainly due to increase in impairment of goodwill.

NET OTHER BUSINESS EXPENSES

The Group's net other business expenses decreased by RMB11.85 million from RMB10.87 million for the year ended 31 December 2020 to RMB-0.98 million for the year ended 31 December 2021. The decrease in net other business expenses was mainly due to the return of the Group's "three supply and one property management" subsidy funding balance by the superior authority.

PROFIT BEFORE TAX

The Group's profit before tax increased by RMB22.40 million from RMB22.14 million for the year ended 31 December 2020 to RMB44.54 million for the year ended 31 December 2021. The increase in profit before tax was mainly due to the increase in aggregate gross profit.

MANAGEMENT DISCUSSION AND ANALYSIS

INCOME TAX EXPENSE

The Group's income tax expense decreased by RMB5.81 million from RMB-0.02 million for the year ended 31 December 2020 to RMB-5.83 million for the year ended 31 December 2021. The decrease in income tax expense was mainly due to tax adjustment pursuant to tax regulations and changes in deductible temporary differences of 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 high and new technology enterprises in 2018 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

Profit attributable to owners of the Company increased by RMB28.22 million from RMB22.16 million for the year ended 31 December 2020 to RMB50.38 million for the year ended 31 December 2021. The increase in the profit attributable to owners of the Company was mainly due to the increase in operating revenue for the year.

PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests was nil for the year ended 31 December 2021, which was unchanged as compared with last year.

BASIC EARNINGS PER SHARE

Basic earnings per share increased from RMB0.01 for the year ended 31 December 2020 to RMB0.03 for the year ended 31 December 2021.

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. For the year ended 31 December 2021, the closing balance of the Group's cash and cash equivalents amounted to RMB1,178.53 million and the net decrease in cash and cash equivalents was RMB529.80 million, which was mainly due to the increase in cash paid for the purchase of goods and acceptance of services in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash outflow from operating activities

For the year ended 31 December 2021, the Group's net cash outflow from operating activities was RMB407.91 million, which was mainly due to the increase in cash paid for the purchase of goods and acceptance of services in 2021.

Net cash outflow from investing activities

For the year ended 31 December 2021, the Group's net cash outflow from investing activities was RMB118.99 million. The cash outflow from investing activities was mainly due to the amount paid for acquisition of fixed assets, intangible assets and other long-term assets.

Net cash outflow from financing activities

For the year ended 31 December 2021, the Group's net cash outflow from financing activities was RMB0 million.

Liquidity

The Board considers 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 2021 (RMB million)	31 December 2020 (RMB million)
Contracted but not provided for	13.91	43.23

MANAGEMENT DISCUSSION AND ANALYSIS

INDEBTEDNESS

The Group had no debts as at 31 December 2021.

PLEDGE

The Group had no pledge as at 31 December 2021.

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 0.82% as at 31 December 2020 and 13.91% as at 31 December 2021.

CONTINGENT LIABILITIES

The Group had no material contingent liability as of 31 December 2021.

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 did not have a material impact on the operations of the Group. As at 31 December 2021, the Group did not enter into any hedging transactions for the purpose of mitigating its foreign exchange risks.

POLICY RISKS

The Group is subject to risks arising from changes in the construction policies of the railway market introduced by the PRC government.

MANAGEMENT DISCUSSION AND ANALYSIS

PENSION SCHEME

The employees employed by the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes. During the year ended 31 December 2021 and 2020, the Group had no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) in the defined social security contribution schemes which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available as at 31 December 2021 and 2020 to be utilized for such use.

In addition to the above-mentioned defined social security contribution schemes, the Group also provides a defined benefit plan for long-term post-leaving personnel, which are considered as defined benefit plans. The Group does not put any funds in the plan. The defined benefit obligations were settled during the year ended 31 December 2020 and was terminated as at 31 December 2020.

CHANGE OF ACCOUNTING STANDARDS AND APPOINTMENT AND DISMISSAL OF AUDITORS

In order to enhance efficiency and reduce costs of disclosure, the Company changed the standards for preparation of foreign financial statements from the International Financial Reporting Standards to the China Accounting Standards for Business Enterprises. The Company aligned in preparation of financial statements and disclosed relevant financial information pursuant to the China Accounting Standards for Business Enterprises commencing from its 2021 interim financial report and interim results. Pursuant to the resolution approved at the annual general meeting of the Company held on 28 June 2021, the Company changed its international auditor from Deloitte Touche Tohmatsu to Deloitte Touche Tohmatsu Certified Public Accountants LLP. Deloitte Touche Tohmatsu Certified Public Accountants LLP will become the sole auditor of the Company to audit the Company's financial statements under the China Accounting Standards for Business Enterprises and will also assume the duties of international auditor as required under the Listing Rules. Deloitte Touche Tohmatsu Certified Public Accountants LLP has audited the financial statements of the Company for the year ended 31 December 2021 according to the China Certified Public Accountant Review Standard. For details, please refer to the Company's announcement dated 6 May 2021, the circular dated 13 May 2021 and the announcement dated 28 June 2021 published by the Company on the website of the Hong Kong Stock Exchange (www.hkex.com.hk).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. **Liu Feixiang (劉飛香)**, aged 58, graduated from the department of mechanics of Southwest Jiaotong University with a bachelor's degree of engineering in August 1983, majoring in engineering machinery. He is a professor level senior engineer who has 37 years of experience in research, development and manufacturing of high-end equipment in China. From August 1983 to February 1996, he worked as a trainee, assistant engineer and engineer of Zhuzhou Bridge Factory (株洲橋樑廠) under the Ministry of Railways. From February 1996 to May 1997, he served as deputy general manager of Zhuzhou Bridge Factory Nanjian Corporation* (株洲橋樑廠南箭總公司) and manager and engineer of Rail Welding Engineering Company* (軌道焊接工程公司) at the same time. From May 1997 to July 2000, he served as deputy factory manager, engineer and senior engineer of Zhuzhou Bridge Factory under the Ministry of Railways. From July 2000 to November 2001, he served as factory manager, deputy secretary of the Communist Party Committee, senior engineer of Zhuzhou Bridge Factory of China Railway Construction Corporation Factory Bureau. From November 2001 to March 2003, he served as factory manager, deputy secretary of the Communist Party Committee and senior engineer of Zhuzhou Bridge Factory of China Railway 11th Bureau Group Co., Ltd. From March 2003 to April 2005, he served as chairman, general manager, deputy secretary of the Communist Party Committee, equity representative and senior engineer of China Railway Zhuzhou Bridge Company* (中鐵株洲橋樑公司) under China Railway 11th Bureau Group Co., Ltd. From April 2005 to May 2007, he served as deputy general manager and professor level senior engineer of China Railway 11th Bureau Group Co., Ltd. From May 2007 to July 2011, he was appointed as director, chairman, general manager, deputy secretary of the Communist Party Committee and professor level senior engineer of China Railway Track System Group Co., Ltd. Since July 2011, he served as chairman, general manager, deputy secretary of the Party committee and professor-level senior engineer of CRCHI. Since September 2017, he concurrently served as the chairman and an executive Director of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

2. **Zhao Hui (趙暉)**, aged 49, graduated from the department of environmental engineering in Lanzhou Railway University with a bachelor's degree of engineering in July 1995, majoring in water supply and drainage engineering. He is a senior engineer who has 25 years of experience in research, development and manufacturing of high-end equipment in China. From July 1995 to November 2000, he worked in Zhuzhou Bridge Factory under the Ministry of Railways as a trainee, assistant engineer, and assistant member of league committee and league officer. From November 2000 to May 2002, he served as assistant engineer, engineer and salesman of sales office of Zhuzhou Bridge Factory of China Railway Construction Corporation Factory Bureau. From May 2002 to September 2005, he served as salesman of sales office, director of sales office, head of general marketing department (deputy level), deputy chief of marketing department, head of marketing department, and engineer of Zhuzhou Bridge Factory of China Railway 11th Bureau Group Co., Ltd. From September 2005 to June 2007, he served as assistant to general manager and deputy general manager and senior engineer of China Railway Zhuzhou Bridge Company under China Railway 11th Bureau Group Co., Ltd. From June 2007 to January 2008, he served as head of marketing department and senior engineer of China Railway Track System Group Co., Ltd. From January 2008 to July 2011, he served as assistant to general manager, head of marketing department and senior engineer of China Railway Track System Group Co., Ltd. From July 2011 to April 2013, he served as assistant to general manager of CRCHI, general manager and senior engineer of the turnout company. From April 2013 to January 2015, he served as director of marketing and senior engineer of CRCHI. From January 2015 to June 2017, he served as deputy general manager, member of the Communist Party Committee and senior engineer of CRCHI. Since June 2017, he served as deputy secretary of the Communist Party Committee, director, deputy general manager and senior engineer of CRCHI. From September 2017 to July 2019, he concurrently served as an executive Director and secretary of the Communist Party Committee of the Company. Since August 2019, he served as the secretary of the Communist Party Committee, a non-executive Director and senior engineer of the Company.
3. **Tong Pujiang (童普江)**, aged 44, graduated from the Central Party School in June 2014 and obtained a master's degree in economic management. He is an engineer who has 22 years of experience in manufacturing and repair of railway track maintenance machinery. From August 2005 to February 2011, he worked in Kunming China Railway Large Maintenance Machinery Group Co., Ltd. as secretary, deputy director, director of the office and engineer. From February 2011 to January 2013, he served as assistant to general manager, head of human resource department and engineer of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From January 2013 to January 2015, he served as assistant to general manager, factory manager of manufacturing general factory and engineer of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. He worked as deputy general manager of the Company from June 2015 to July 2017. Since July 2017, he has served as general manager of the Company and since September 2017, he has served as an executive Director of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4. **Chen Yongxiang (陳永祥)**, aged 55, 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 32 years of experience in manufacturing and repair of railway track maintenance machinery. From November 1998 to December 2004, he served as the deputy director and engineer at the production preparation workshop of Kunming Machinery Factory under the engineering headquarters of the Ministry of Railway. From December 2004 to May 2005, he worked as the manager and engineer at the metal materials processing company of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From May 2005 to January 2010, he worked as the manager and engineer at the machining company of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From January 2010 to June 2015, he served as a vice general manager and engineer of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. He served as deputy general manager of the Company from June 2015 to April 2021 and since June 2017, he has served as an executive Director of the Company.
5. **Sun Linfu (孫林夫)**, aged 58, served as an independent non-executive Director of the Company since November 2015. Mr. Sun has nearly 28 years of experience in advanced manufacturing and railway maintenance machinery industry. From October 1992 to September 1999, he served as the executive deputy director of the Computer-aided Design (CAD) Engineering Center of Southwest Jiaotong University. From September 1999 to October 2014, he served as the director of the CAD Engineering Center of Southwest Jiaotong University. Since December 2006, he served as the dean of Sichuan Provincial Modern Service Technology Research Institute (formerly known as Sichuan Provincial Research Institute of Manufacturing Information). Mr. Sun has been appointed as a professor of Southwest Jiaotong University since June 1996. He was appointed as the doctoral supervisor by Southwest Jiaotong University in April 2000. He obtained a doctor's degree from Southwest Jiaotong University in June 1993, majoring in bridge and tunnel engineering.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

6. **Yu Jiahe (于家和)**, aged 67, served as an independent non-executive Director of the Company since November 2015. Mr. Yu has 41 years of experience in design and selection of railway maintenance machinery. From June 1980 to October 1999, he successively served as intern, assistant engineer, engineer, station head and senior engineer in the Design Institute of Railway. From October 1999 to May 2014, he assisted the foundation department of the transport bureau of the former MOR. He obtained an academic certificate for university from Southwest Jiaotong University in February 1980, majoring in machinery manufacturing technique and equipment.
7. **Wong Hin Wing (黃顯榮)**, aged 59, served as an independent non-executive Director of the Company since November 2015. Mr. Wong has 38 years of experience in accounting, finance, investment management and consultation. From 1985 to 1989, he served as an auditor in Deloitte Touche Tohmatsu. From 1989 to 1997, he served as the chief financial officer and an executive director of Asia Commercial Holdings Limited. Mr. Wong has been the chief executive officer of Legend Capital Partners Inc. since 1997. He currently serves as member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference, member of the Nursing Council of Hong Kong and a council member of the Hong Kong Institute of Certified Public Accountants. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants in the UK, the Hong Kong Institute of Directors and the Institute of Chartered Secretaries and Administrators, and a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment. He has served as an independent non-executive director of AEON Credit Service (Asia) Co. Ltd. (stock code: 00900) since 2004, an independent non-executive director of Dongjiang Environmental Company Limited (A share stock code: 002672; H share stock code: 00895) since 2014, an independent non-executive director of Inner Mongolia Yitai Coal Co., Ltd. (stock code: 3948) since 2017 and an independent non-executive director of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (stock code: 0874) since 2017. Mr. Wong graduated from The Chinese University of Hong Kong in December 1996 majoring in Executive Business Administration with a Master's degree.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

8. **Sha Mingyuan (沙明元)**, has nearly 41 years' experience in equipment and material management, engineering machinery manufacturing and engineering construction. He worked as an intern in the Repair Workshop of No. 19 Engineering Corporation of the Ministry of Railways from July 1983 to July 1984. He worked as an teaching assistant in the Department of Machinery of Shijiazhuang Railway Institute from July 1984 to December 1989. He worked as a lecturer in the Department of Machinery of Shijiazhuang Railway Institute from December 1989 to August 1997. He studied the bachelor program in the Department of Engineering Machinery of Railway Corps Engineering Institute from September 1979 to July 1983 and obtained the bachelor of engineering. He worked as an associate professor in the Department of Machinery of Shijiazhuang Railway Institute and the vice chief engineer of the Qinling Tunnel Engineering Headquarters of China Railway Construction Corporation from August 1997 to February 2000. He worked for the Equipment & Material Transportation Department (corresponding to the level of the associate professor) of China Railway Construction Corporation and assumed concurrently the Vice Commander and Equipment and Material Department Director of Danfeng Engineering Headquarters of China Railway Construction Corporation from February 2000 to July 2001. He worked as the Senior Engineer in the Equipment & Material Transportation Department of China Railway Construction Corporation from July 2001 to December 2002. He worked as the professor level senior engineer in the Equipment & Material Transportation Department of China Railway Construction Corporation from December 2002 to December 2005. He worked as the professor level senior engineer in the Engineering Management Department of China Railway Construction Corporation from December 2005 to April 2006. He worked as the chief mechanical engineer (corresponding to the level of the department principal) and senior engineer at the professor level in Nanjing Changjiang Tunnel Co., Ltd. from April 2006 to July 2008. He worked as the vice director (corresponding to the level of the department principal) and professor level senior engineer of the Engineering Management Department of CRCC and the chief mechanical engineer of Nanjing Changjiang Tunnel Co., Ltd. from July 2008 to November 2008. He worked as the vice director (corresponding to the level of the department principal) and professor level senior engineer of the Science & Technology Design Department of CRCC and the chief mechanical engineer of Nanjing Changjiang Tunnel Co., Ltd. from November 2008 to June 2009. He has served as the chief mechanical engineer (corresponding to the level of the department principal) of the Equipment and Material Department and professor-level senior engineer of CRCC since June 2009.

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9. **Yu Qiuhua (余秋華)**, aged 58, graduated from the Correspondence College of Party School of the Central Committee of the Communist Party of China with a bachelor's degree in economic management in December 1997, and is a senior economist. From August 1982 to September 1984, he worked as an intern and technician of material division of Zhuzhou Bridge Factory* (株洲橋樑廠) under the Ministry of Railways. From September 1984 to July 1987, he graduated from Tianjin Materials Management Cadre College of the Ministry of Railways* (鐵道部天津物資管理幹部學院) majoring in material management engineering. From July 1987 to August 2001, he was a technician, economic clerk, assistant economist, director planner, deputy director of material management office and economist of Zhuzhou Bridge Factory under the Ministry of Railways* (鐵道部株橋廠). From August 2001 to January 2002, he served as a senior economist of Zhuzhou Bridge Factory of China Railway Construction Corporation Factory Bureau. From January 2002 to December 2005, he served as director of material division, senior economist, office director, general manager assistant and senior economist of Zhuzhou Bridge Factory under China Railway 11th Bureau Group Co., Ltd.* (中鐵11局集團公司株洲橋樑廠). From December 2005 to October 2006, he served as deputy general manager and senior economist of China Railway Zhuzhou Bridge Company under China Railway 11th Bureau Group Co., Ltd. From October 2006 to June 2007, he served as deputy secretary of Communist Party Committee, secretary of committee for discipline inspection, chairman of labor union and senior economist of Track System Group of China Railway 11th Bureau* (中鐵11局軌道系統集團有限公司). From June 2007 to December 2007, he served as deputy secretary of the Communist Party Committee, secretary of committee for discipline inspection, chairman of labor union and senior economist of Turnout Company of Track System Group of China Railway* (中鐵軌道系統集團道岔公司). From December 2007 to December 2008, he served as the standing deputy general manager, director, vice chairman, general manager and senior economist of Zhuzhou China Railway Track System Material Co., Ltd. of China Railway Track Group Co., Ltd.* (中鐵軌道集團公司株洲中鐵軌道系統物資有限公司). From December 2008 to August 2009, he served as director, vice chairman (corresponding to the level of standing deputy general manager), member of the Communist Party Committee and senior economist of China Railway Zhuzhou Bridge Co., Ltd. of China Railway Track Group Co., Ltd.* (中鐵軌道集團公司中鐵株洲橋樑有限公司). From August 2009 to April 2013, he served as the minister of the comprehensive management department, office director and senior economist of China Railway Track Group Co., Ltd. From April 2013 to November 2021, he served as the office director, tendering center director, vice chairman of labor union and minister of labor union work department, minister of discipline supervision and audit department, deputy secretary of committee for discipline inspection, secretary of committee for discipline inspection, employee supervisor and senior economist of CRCHI. He has served as member of the Communist Party Committee, secretary of committee for discipline inspection, chairman of the Supervisory Committee, employee supervisor and senior economist of the Company since June 2018.

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10. **Wang Huaming (王華明)**, aged 52, served as the representative Supervisor of Shareholders since June 2015. Mr. Wang has 28 years of experience in corporate economic management. From June 2002 to July 2004, he was a member of the finance department and a deputy director of the investment audit department under Anhui Engineering Co., Ltd. of Shanghai Railway Construction Group. From August 2004 to December 2012, he served as the chief financial officer of Anhui Engineering Company of Shanghai Railway Construction Group (renamed as Anhui Engineering Co., Ltd. of China Railway 24th Bureau). From July 2011 to December 2012, he concurrently served as the general counsel of Anhui Engineering Co., Ltd. of China Railway 24th Bureau. From January 2013 to August 2014, he served as the financial director and general counsel of China Railway Zhanjiang Development Co., Ltd. From September 2014 to November 2018, he served as the general manager of the supervision and audit department of China Railway Construction Investment Group. In December 2018, he served as the general manager of the finance and capital department of China Railway Construction Investment Group. He obtained a master's degree from the Party University under Anhui Provincial Communist Party Committee in July 2011, majoring in economic management.
11. **Zhong Xiangjun (鍾祥軍)**, aged 42, currently serves as the office director of the committee for discipline inspection and deputy director of the inspection office of the Communist Party Committee of China Railway Construction Heavy Industry Co., Ltd.* (中國鐵建重工集團股份有限公司). He is a senior political engineer and has 17 years of work experience in corporate management and disciplinary inspection and supervision. From September 1999 to July 2003, he studies in the School of Humanities and Social Sciences of Southwest Jiaotong University, majoring in political science and public administration, and graduated with a bachelor's degree in July 2003. From July 2003 to July 2009, he served as a trainee, secretary, office director and assistant political engineer of the project department of China Railway 17th Bureau Yuantong Engineering Co., Ltd.* (中鐵十七局遠通工程有限公司). From July 2009 to July 2012, he served as the deputy secretary of party working committee of the fundamental project department of China Railway 17th Bureau 6th Engineering Co., Ltd.* (中鐵十七局六公司), the secretary of party working committee, deputy manager, office director, deputy head of the human resource department, assistant political engineer and political engineer of the project department of Section II of Phase 1 of Civil Engineering Work of Line II of Changsha Rail Transit* (長沙軌道交通II號線一期土木工程II標段項目部). Since July 2012, he has served as the principal staff member of the working department under the Communist Party Committee, deputy office director and director of the committee for discipline inspection, deputy director, political engineer and senior political engineer of the inspection office of the Communist Party Committee of CRCHI.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

12. **Luo Jianli (羅建利)**, aged 47, obtained a doctorate in Computer Science and Technology from Tsinghua University in July 2010, a senior engineer. From July 2010 to December 2013, he served as deputy general manager of technology, directors of key technology research institute and pump truck electric control technology research institute and engineer of electrical ancillary branch office of Zoomlion Heavy Industry Science and Technology Development Co., Ltd.* (中聯重科技股份發展有限公司). From December 2013 to July 2015, he served as deputy general manager of technology, directors of key technology research institute and pump truck electric control technology research institute and senior engineer of electrical ancillary branch office of Zoomlion Heavy Industry Science and Technology Development Co., Ltd. Since July 2015, he has successively served as chief researcher, deputy dean of Central Research Institute, dean of research management institute, director of experimental center, researcher of special grade, deputy commander of the R&D and operation system, dean of new transportation equipment research and design institute of the R&D and operation system and senior engineer of electrical branch institute of Central Research Institute of CRCC. He has been serving as a standing deputy general manager and senior engineer of the Company since February 2020.
13. **Mo Bin (莫斌)**, aged 52, 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 July 1992 to August 1993, he was a trainee at Kunming Machinery Factory assembly workshop of CRCC; from August 1993 to August 2001, he served as assistant engineer and engineer at Kunming Machinery Factory assembly workshop of CRCC; from August 2001 to February 2003, he served as the secretary for Kunming Machinery Factory of CRCC, engineer and senior engineer; from February 2003 to December 2004, he served as the secretary of the board of directors and senior engineer of Kunming China Railway Group Co., Ltd.; from December 2004 to January 2009, he served as the office director and senior engineer of Kunming China Railway Group Co., Ltd.; from January 2009 to January 2010, he served as the office director and secretary of the board of directors and senior engineer of Kunming China Railway Group Co., Ltd.; from January 2010 to July 2011, he served as a member of the Communist Party Committee and secretary of committee for discipline inspection and senior engineer of Kunming China Railway Group Co., Ltd.; from July 2011 to June 2015, he served as the chairman of supervisory committee, member of the Communist Party Committee, secretary of committee for discipline inspection and senior engineer of Kunming China Railway Group Co., Ltd.; from June 2015 to July 2017, he served as the secretary of committee for discipline inspection and senior engineer of the Company. From April 2018 to December 2018, he served as the deputy inspector and minister of union work department of CRCHI. Since December 2018, he has served as a deputy general manager of the Company.

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14. **Zhang Baoming (張寶明)**, aged 56, graduated from the Department of Electronic Engineering of Changsha Railway Institute with a bachelor's degree in automation in July 1987 and is a senior engineer. Mr. Zhang started his career since July 1987 and served as technician and assistant engineer of Kunming Machinery Factory under the Control Department of the Ministry of Railway* (鐵指昆明機械廠); inspector, engineer, deputy director and senior engineer of the large road maintenance machinery inspection and acceptance office of Kunming Machinery Factory under the Ministry of Railways* (鐵道部駐昆明機械廠大型養路機械驗收室); director (deputy department director level) of the large road maintenance machinery inspection and approval office of Kunming China Railway Group Co., Ltd. under the Ministry of Railways; director (department director level) of the public works machinery vehicle inspection and approval office in Kunming under the Ministry of Railways* (鐵道部昆明工務機械車驗收室); director of the public works machinery vehicle inspection and acceptance office in Kunming under the Ministry of Railways; director of the supervision and construction department of public works machinery vehicle in Kunming under the Kunming Railway Bureau; deputy chief engineer and dean of the research institute of the Company; and dean of the research and design institute of the Company. Since April 2018, he has served as a deputy general manager and the chief engineer of the Company.
15. **E Baosheng (鄂寶生)**, aged 55, graduated from Shijiazhuang Railway Institute with a bachelor's degree in bridge engineering in June 1989 and is a professor level senior engineer. Mr. E started his career since June 1989 and served as intern, member and deputy director of the quality office, deputy director and assistant engineer of the technical division, deputy director of the second bridge workshop, deputy manager and engineer of the bridge plant of Fangshan Bridge Factory under the Control Department of the Ministry of Railway* (鐵指房山橋樑廠); deputy chief engineer of the Fangshan Bridge Factory of CRCC* (中鐵建房山橋樑廠) and manager of the bridge plant; assistant to manager, manager, the deputy secretary of the Communist Party Committee and senior engineer of Fangshan Bridge Factory of CRCC* (中鐵建房山橋樑廠); general manager of Beijing Fangqiao China Railway Co., Ltd.* (北京房橋中鐵路公司); chairman, general manager and professor level senior engineer of Beijing Fangqiao China Railway Co., Ltd.; assistant to general manager of China Railway 14th Bureau Group Co., Ltd.* (中鐵十四局集團公司); assistant to general manager of Kunming China Railway Group Co., Ltd.* (昆明中鐵集團公司); the secretary of the Communist Party Committee and executive director of Beijing Ruiweitong Company* (北京瑞維通公司); chief economist of Kunming China Railway Group Co., Ltd.; executive director and the secretary of the Communist Party Committee of Beijing Ruiweitong Company of the Company; chief economist and general manager of the general manufacturing factory at the Company. Since April 2018, he has served as a deputy general manager and the chief economist of the Company.

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16. **Kang Yanjun (康彥君)**, aged 52, graduated from Nanchang Aviation and Industry Institute with a bachelor's degree in metal materials and heat treatment in July 1992 and is a senior engineer. Ms. Kang started her career since August 1992 and served as intern, alternate deputy director, deputy director and assistant engineer of the heat treatment workshop of Shaoguan Excavator Factory* (韶關挖掘機製造廠); primary deputy director, office director, director of the quality assurance department, secretary of the board of directors, head of the oxygen station, deputy director of the technical quality department and engineer of Shaoguan Xinyu Construction Machinery Co., Ltd.* (韶關新宇建設機械有限公司); deputy director of the technical department, deputy director of the quality control department of the heavy equipment branch company, director of the quality control department of the tunnel equipment branch company, and deputy general manager of the general equipment manufacturing factory of China Railway Track System Group* (中鐵軌道系統集團); deputy general manager, the deputy secretary of the Communist Party Committee and general manager of the general manufacturing factory of CRCHI; general manager, the deputy secretary of the Communist Party Committee and senior engineer of the production and supply centre of CRCHI; deputy general manager of the supply chain operation centre of CRCHI; member of the Communist Party Committee and deputy executive director of the general boring machine manufacturing factory of CRCHI; and deputy executive director of the business tendering department, deputy executive director of the tendering and commerce department and director of the tendering and commerce department of CRCHI. Since April 2018, she has served as a deputy general manager of the Company.

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17. **Wang Shuchuan (王淑川)**, aged 50, currently the chief accountant of the Company and a senior economist. Mr. Wang has 26 years of experience in accounting and financial management. From July 1995 to August 2001, he worked as a trainee of cross-sleeper workshop and trainee of planning department of Zhuzhou Bridge Factory* (株洲橋樑工廠) under the Ministry of Railways and was an assistant economist of planning department. From August 2001 to March 2003, he was the economist of finance department of Zhuzhou Bridge Factory of China Railway Construction 11th Bureau Group. From March 2003 to July 2005, he served as the head of risk management department of Zhuzhou Jinqiao Small-to-medium Enterprise Guarantee Co., Ltd.* (株洲金橋中小企業擔保有限公司) and was an economist. From July 2005 to January 2006, he was the head of finance department of Zhuzhou Tianhua Real Estate Co., Ltd.* (株洲天華房地產有限公司) and was an economist. From January 2006 to October 2006, he was the deputy head of finance department of China Railway Zhuzhou Bridge Co., Ltd.* (中鐵株洲橋樑有限公司) and was an economist. From October 2006 to December 2007, he worked in turnout construction team of China Railway Construction 11th Bureau Group and was an economist. From December 2007 to January 2013, he served as the deputy head of financial asset department of China Railway Track System Group Co., Ltd., the vice chief accountant and head of finance department of branch office of Express Turnout Company* (高速道岔分公司), the chief accountant of China Railway Zhuzhou Bridge Co., Ltd. and the chief accountant of turnout company and was an economist. From January 2013 to June 2015, he served as the head of finance department of CRCHI and was an economist and senior economist. From June 2015 to March 2016, he served as the chief financial officer of research, development and marketing service center and head of finance department of CRCHI and was a senior economist. From March 2016 to January 2017, he was the head of finance department and deputy director of project reporting platform of CRCHI and was a senior economist. From January 2017 to July 2017, he served as the general manager of China Railway Special Equipment Engineering Co., Ltd., the deputy director of project reporting platform of CRCHI and was a senior economist. He has served as the shareholder supervisor of the Company from September 2017 to October 2020. Mr. Wang graduated from Business and Administration Department of Hunan University of Finance and Economics majoring in enterprise management, and obtained a bachelor's degree in economics in July 1995.

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18. **Zhou Huipeng (周慧鵬)**, aged 50, graduated from Yunnan University of Finance and Economics in December 2014 with a Master's degree in business administration, a senior engineer. Mr. Zhou has 26 years of experience in the field of railway maintenance machinery manufacturing and repair. From August 1995 to December 2000, he served as an intern, assistant engineer of the equipment power workshop and assistant engineer of the chief engineer office of CRCC Kunming Machinery Factory* (中鐵建昆明機械廠). From December 2000 to March 2003, he served as the engineer of the chief engineer office of CRCC Kunming Machinery Factory. From March 2003 to February 2005, he served as the engineer of the chief engineer office of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From February 2005 to March 2008, he served as the engineer and senior engineer of the marketing department of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From March 2008 to April 2010, he served as deputy director of the marketing department of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From April 2010 to January 2014, he served as deputy general manager of Beijing Marketing Branch of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From January 2014 to January 2015, he served as deputy chief economist and deputy general manager of the marketing company of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From January 2015 to August 2016, he served as general manager of the marketing company of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From August 2016 to August 2017, he served as deputy chief economist and general manager of the marketing company of the Company. From August 2017 to April 2018, he served as minister of the strategic investment department of the Company. From September 2018 to October 2018, he served as the minister of safety and environmental protection department of the Company. From October 2018 to July 2019, he served as the minister of safety and environmental protection department and director of lean promotion office of the Company. From July 2019 to December 2019, he served as the minister of safety and environmental protection department, director of lean promotion office and minister of asset management department of the Company. From December 2019 to April 2021, he served as the minister of asset management department of the Company. Since April 2021, he has served as deputy general manager, member of the Communist Party Committee and senior engineer of the Company.

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19. **Li Hongda (李宏達)**, aged 38, graduated from Yunnan University in July 2010 with a Master's degree in international law. Mr. Li has 7 years of experience in the field of railway maintenance machinery manufacturing and repair. From December 2010 to June 2012, he served as deputy director of the news information center of Yunnan Branch of Xinhua News Agency. From July 2012 to February 2013, he served as assistant director of the administrative operation center of Kunming North Star (Group) Co., Ltd.* (昆明諾仕達企業(集團)有限公司). From February 2013 to November 2013, he served as deputy general manager of Kunming Tropical Garden Trading Co., Ltd.* (昆明新南亞風情園商貿有限公司) and owner representative of Howard Johnson Tropical Garden Plaza Kunming* (昆明新南亞風情園豪生大酒店). From December 2013 to July 2014, he served as assistant to the president of the hotel catering division of Kunming North Star (Group) Co., Ltd. From November 2014 to February 2015, he worked as an employee of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From February 2015 to March 2016, he served as deputy general manager of Kunming China Railway Hengyuan Business Service Co., Ltd.* (昆明中鐵恆源商務服務有限公司). From March 2016 to April 2017, he served as deputy general manager (in charge of affairs) and deputy secretary of the Communist Party Committee of Kunming China Railway Hengyuan Business Service Co., Ltd. From April 2017 to September 2017, he served as the deputy minister of information system department of the Company. From September 2017 to April 2018, he served as the head of the intelligent system department of the Company. From April 2018 to May 2018, he served as the minister of intelligent system department and minister of logistics department of the Company. From May 2018 to July 2019, he served as the minister of intelligent system department, minister of logistics department and deputy secretary of the Communist Party Committee of the logistics department of the Company. From July 2019 to December 2019, he served as executive general manager of the overseas department of the Company. From December 2019 to April 2021, he served as the general manager of the overseas business department and member of the general Party branch for operation and service of the Company. Since April 2021, he has been a member of the Communist Party Committee, deputy general manager and general manager of the overseas business department of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

20. **Li Guo (李果)**, aged 39, graduated from Kunming University of Science and Technology in April 2010 with a Master's degree in machinery manufacturing and automation, a senior engineer. Mr. Li has 11 years of experience in the field of railway maintenance machinery manufacturing and repair. From July 2010 to November 2015, he served as assistant engineer and engineer of Beijing Marketing Branch of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From November 2015 to August 2017, he served as deputy general manager of the marketing company of the Company. From August 2017 to September 2017, he served as the deputy general manager (in charge of affairs) of the No. 1 operation branch of the Company. From September 2017 to December 2019, he served as the general manager (in charge of affairs) of the No. 1 operation branch of the Company. From December 2019 to April 2021, he served as the general manager of the No. 1 operation branch of the Company and member of the general Party branch for operation and service of the Company. Since April 2021, he has served as a member of the Communist Party Committee and deputy general manager of the Company.
21. **Huang Zhaoxiang (黄兆祥)**, aged 58, obtained a bachelor's degree in engineering from Southwest Jiaotong University in July 1986, majoring in mechanical engineering. Mr. Huang has 35 years of experience in manufacturing and repair of railway track maintenance machinery. From February 1995 to October 1998, he served successively as the deputy division manager, division manager, assistant engineer and engineer at the equipment division of Kunming Machinery Factory under the engineering headquarters of Ministry of Railway. From October 1998 to March 2003, he served as the deputy factory manager, engineer and senior engineer of Kunming Machinery Factory. From March 2003 to June 2015, he served as vice general manager and senior engineer at Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From June 2015 to April 2021, he served as a deputy general manager of the Company.

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22. **Ma Changhua (馬昌華)**, aged 48, obtained a master's degree in international economic and trade relations jointly set up by Nankai University and Flinders University, Australia in June 2014 and is an engineer who has 24 years of experience in manufacturing and repair of railway track maintenance machinery. From March 2005 to February 2011, he served as deputy head, head and engineer of information management department of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From February 2011 to July 2011, he served as office director and the head of information management department and engineer of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From July 2011 to August 2012, he served as office director and engineer of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From August 2012 to January 2014, he served as office director, assistant to the general manager and engineer of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From January 2014 to February 2015, he served as the assistant to general manager of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. and commander and engineer at construction instruction department of the northern base. From February 2015 to June 2015, he served as secretary of the board of directors and engineer of Kunming China Railway Large Maintenance Machinery Group Co., Ltd. From June 2015 to August 2017, he served as the secretary of the Board and engineer of the Company. From August 2017 to April 2018, he served as the secretary of the Board, office director of the Board and engineer of the Company. From April 2018 to October 2018, he served as the secretary of the Board and office director of the Board, the director of the strategic investment department and engineer of the Company. Since October 2018, he has served as the secretary of the Board, minister of work department of the Board and an engineer of the Company.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2021. 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 improve 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 2021, the Company has fully complied with the code provisions of the CG Code.

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

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

II. 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 transactions standards governing Directors and Supervisors specified by the Model Code during the reporting period.

CORPORATE GOVERNANCE REPORT

III. BOARD OF DIRECTORS

1. Composition of the Board

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

As at the date of this report, the Board consisted of eight Directors, of which Mr. Liu Feixiang, Mr. Zhao Hui, Mr. Tong Pujiang and Mr. Chen Yongxiang were appointed as the executive Directors of the CRCCE upon the nomination by the nomination committee, and the consideration and approval at the twenty-second meeting of the first session of the Board and the 2017 annual general meeting of the Company. Mr. Liu Feixiang was elected as the chairman of the second session of the Board, upon the nomination by the controlling Shareholder and the consideration and approval at the first meeting of the second session of the Board. Mr. Zhao Hui, an executive Director of the Company, was designated as a non-executive Director, upon the consideration and approval at the seventh meeting of the second session of the Board.

The Board of the Company received a resignation letter from Wu Zhixu on 3 August 2020, and Wu Zhixu ceased to serve as a non-executive director of the Company with effect from 3 August 2020. The Company currently has two non-executive Directors, namely Mr. Zhao Hui and Mr. Sha Mingyuan, and three independent non-executive Directors, namely Mr. Sun Linfu, Mr. Yu Jiahe and Mr. Wong Hin Wing.

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

The three-year term of office of the second session of the Board and the second session of the Supervisory Committee has expired on 28 June 2021. As the nomination and selection of candidates for members of the new session of the Board and the Supervisory Committee has not been finalized, to ensure the continuity of the Board and the Supervisory Committee, re-election of members of the second session of the Board and the second session of the Supervisory Committee will accordingly be postponed.

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.

CORPORATE GOVERNANCE REPORT

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 believed that the ratio of the number of executive Directors to non-executive Directors was reasonable and adequate to provide checks and balances that safeguard the interests of the Shareholders and the Company as a whole.

2. Meetings of the Board and Directors' attendance record

During the reporting period, the Company convened a total of seven Board meetings and one general meeting. The following sets forth the Directors' attendance of the Board meetings and the general meeting:

Name	Title	Board meetings	Attendance	General meeting	Attendance
Liu Feixiang	Chairman and Executive Director	7/7	100%	1/1	100%
Tong Pujiang	Executive Director	7/7	100%	1/1	100%
Chen Yongxiang	Executive Director	7/7	100%	1/1	100%
Zhao Hui	Non-executive Director	7/7	100%	1/1	100%
Sha Mingyuan	Non-executive Director	7/7	100%	1/1	100%
Sun Linfu	Independent Non-executive Director	7/7	100%	1/1	100%
Yu Jiahe	Independent Non-executive Director	7/7	100%	1/1	100%
Wong Hin Wing	Independent Non-executive Director	7/7	100%	1/1	100%

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 "Interpretation of the Securities Law of the People's Republic of China", "the Enforcement Policy Statement of the Listing Rules of the Hong Kong Stock Exchange" and "Hong Kong Stock Exchange Rules Enforcement Sanctions Statement" etc. All Directors and Supervisors have attended the related trainings, and were made aware of and carefully read the relevant documents. Moreover, the Company has received the letters of confirmation for attending the continuous professional trainings from each Director.

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Major trainings provided for the Directors in 2021 are as follows:

Name of Director	Trainings
Executive Directors	
Liu Feixiang	✓
Tong Pujiang	✓
Chen Yongxiang	✓
Non-executive Directors	
Zhao Hui	✓
Sha Mingyuan	✓
Independent non-executive Directors	
Yu Jiahe	✓
Sun Linfu	✓
Wong Hin Wing	✓

Note: Trainings cover interpretation of the Securities Law of the PRC, the Enforcement Policy Statement of the Listing Rules of the Hong Kong Stock Exchange and Enforcement Sanctions Statement of the rules of the Hong Kong Stock Exchange.

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 5 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 finalisation, the Board minutes will be signed by all Directors who have attended the meeting and the minutes recording person. These documents are permanently kept as important records of the Company at the Company's domicile.

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

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

CORPORATE GOVERNANCE REPORT

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

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.

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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. Specialized committees of the Board

The Board of the Company has established specialized committees, including the strategy and investment committee, the audit and risk management committee, the nomination committee, and 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.

a. *Strategy and investment committee*

The strategy and investment committee of the Company was established in June 2015. It currently consists of three Directors, including one executive Director and two independent non-executive Directors. Due to the change of the session of the Board, Mr. Liu Feixiang was appointed as the chairman of the strategy and investment committee upon the consideration and approval at the first meeting of the second session of the Board. The other members of the committee are Mr. Sun Linfu and Mr. Yu Jiahe. The strategy and investment committee is primarily responsible for analyzing and proposing suggestions on the Company's development strategy planning and significant investment decisions, which include, among other things:

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

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In 2021, the strategy and investment committee held four meetings to mainly consider the following issues:

Session of the strategy and investment committee's meeting

Session of the strategy and investment committee's meeting	Date	Major issues considered
The first meeting of the strategy and investment committee of the second session of the Board in 2021	9 February 2021	(I) To consider the Resolution on Annual Investment Plans of 2021 of the Company;
		(II) To consider the Resolution on Production and Operating Plan of 2021 of the Company.
The second meeting of the strategy and investment committee of the second session of the Board in 2021	19 March 2021	(I) To consider the Resolution on 2021 Bank Credit Facilities of the Company;
		(II) To consider the Resolution on the Performance Report of the Strategy and Investment Committee of the Company of 2020.
The third meeting of the strategy and investment committee of the second session of the Board in 2021	6 December 2021	(I) To consider the Resolution on Materialization of the Implementation Plan of the Powers of the Board of Directors of CRCC High-Tech Equipment Corporation;
		(II) To consider the Resolution on Improvement of Modern Corporate System and Preparation of Board Construction Plan of CRCC High-Tech Equipment Corporation;
		(III) To consider the Resolution on the Work Plan of Duty Performance Guarantee of External Directors and Supporting Systems of CRCC High-Tech Equipment Corporation.

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Session of the strategy and investment committee's meeting

	Date	Major issues considered
The fourth meeting of the strategy and investment committee of the second session of the Board in 2021	21 December 2021	(I) To consider the Resolution on the "14th Five-year" Development Plan of CRCC High-Tech Equipment Corporation;
		(II) To consider the Resolution of Establishment of a Joint Venture with Zhengzhou Railway Equipment Manufacturing Co., Ltd.;
		(III) To consider the Resolution on Adjustment of the Organizational Structure and Positioning of CRCC High-Tech Equipment Corporation.

Attendance of each member at the meetings are as follows:

No.	Name	Position	Attendance/ meeting
1	Liu Feixiang	Chairman of the committee	4/4
2	Sun Linfu	Member	4/4
3	Yu Jiahe	Member	4/4

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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. As the change of the session of the Board, Mr. Yu Jiahe was appointed as the chairman of the audit and risk management committee upon the consideration and approval at the first meeting of the second session of the Board, and other members of the committee include Mr. Sun Linfu and Mr. Wong Hin Wing.

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

- to supervise and manage the audit work, to propose appointment or removal of external audit agencies, to examine and supervise the work of external audit agencies, and the relationships between the Company and the external audit agencies, to formulate and implement policies on the non-audit services provided by the external audit agencies, to examine the Letters of Explanation of Review Matters submitted to the management by the external audit agencies and give timely feedback on the matters raised by the external audit agencies in its Letters of Explanation of Review Matters;
- to supervise the internal audit system and its implementation, to review the Company's financial and accounting policies and practices;
- to ensure the communication and coordination between internal audit and external audit agencies;
- to supervise the Company's financial information and its disclosure, and to review the major opinions on financial reporting as set out in the statements and reports;
- to review the Company's financial control, risk management and internal control system, to review major connected transactions, and to discuss the risk management and internal control system with the management to ensure that the management has discharged its duty to establish an effective internal control system;

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- to ensure the Company's arrangements for staff of the Company, in confidence, to report or raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters;
- to submit the annual report on overall risk management to the Board, to consider the Company's risk management strategies and the solutions for major risk management, to consider the establishment of the risk management organization, and proposals of their responsibilities, and to consider the comprehensive report on the supervision, assessment and audit of risk management submitted by the internal audit department.

The Company has established an audit 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.

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 2020 annual results announcement and annual report, 2021 interim results announcement and interim report, auditing planning of external auditor, and the auditor's report and the interim review report prepared by Deloitte.

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In 2021, 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

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 second session of the Board in 2021	19 March 2021	(I) To consider the Resolution on the Company's 2020 Annual Report and Results Announcement;
		(II) To consider the Resolution on the Company's Final Financial Report for 2020;
		(III) To consider the Resolution on the Company's Profit Distribution Plan for 2020;
		(IV) To consider the Resolution on 2020 Auditing Fee Payment and Appointing Auditing Firm of the Company for 2021;
		(V) To consider the Resolution on 2020 Report of Internal Risk Control;
		(VI) To consider the Resolution on the Performance Report of Audit and Risk Management Committee of the Board for 2020;
		(VII) To consider the Resolution on Summary for Work of 2020 Internal Audit and Planning of 2021 Internal Audit;

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Session of the audit and risk management committee's meetings

	Date	Major issues considered
		(VIII) To consider the Resolution on 2021 Implementing Plan of Measures of Material and Key Risk Management and Control;
		(IX) To consider the Resolution on Rectifying Plan after Identifying the 2020 Annual Internal Control Evaluation Defects.
The second meeting of the audit and risk management committee of the second session of the Board in 2021	6 May 2021	<p>(I) To consider the Resolution on Preparing Financial Statements and Disclosing Corresponding Financial Report only Subject to the China Accounting Standards for Business Enterprises;</p> <p>(II) To consider the Resolution on 2020 Auditing Fee Payment and Appointing Auditing Firm of the Company for 2021.</p>
The third meeting of the audit and risk management committee of the second session of the Board in 2021	13 August 2021	To consider the Resolution on the Company's 2021 Interim Results Announcement and Interim Report.
The fourth meeting of the audit and risk management committee of the second session of the Board in 2021	21 December 2021	To consider the Resolution on Continuing Connected Transactions.

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Attendance of each member at the meetings are as follows:

No.	Name	Position	Attendance/ meeting
1	Yu Jiahe	Chairman of the committee	4/4
2	Sun Linfu	Member	4/4
3	Wong Hin Wing	Member	4/4

c. *Nomination committee*

The nomination committee of the Company was established in June 2015. It currently consists of three Directors, including one executive Director and two independent non-executive Directors. Due to the change of the session of the Board, Mr. Liu Feixiang was appointed as the chairman of the nomination committee upon the consideration and approval at the first meeting of the second session of the Board. The other members of the committee are Mr. Sun Linfu and Mr. Yu Jiahe.

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

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

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In 2021, the nomination committee held two 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 second session of the Board in 2021	19 March 2021	To consider the Resolution on the Performance Report of Nomination Committee of the Board of Directors of the Company for 2020.
The second meeting of the nomination committee of the second session of the Board in 2021	12 April 2021	To consider the Resolution on Adjustment of Positions of Certain Senior Management Members.

Attendance of each member at the meetings are as follows:

No.	Name	Position	Attendance/ meeting
1	Liu Feixiang	Chairman of the committee	2/2
2	Sun Linfu	Member	2/2
3	Yu Jiahe	Member	2/2

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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. As the change of the session of the Board, Mr. Yu Jiahe was appointed as the chairman of the remuneration and evaluation committee upon the consideration and approval at the first meeting of the second session of the Board. The other members of the committee are Mr. Liu Feixiang and Mr. Sun Linfu.

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

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

Under the Provision E.1.2(c)(ii) of the CG Code, the remuneration and evaluation committee has made recommendations to the Board on the remuneration of Directors and senior management.

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In 2021, the remuneration and evaluation committee held two meetings to mainly consider the following issues:

Session of the remuneration and evaluation committee's meeting

	Date	Major issues considered
The first meeting of the remuneration and evaluation committee of the second session of the Board in 2021	19 March 2021	(I) To consider the Resolution on the Remuneration for the Directors and Supervisors of the Company in 2020;
		(II) To consider the Resolution on the Remuneration for the Senior Management of the Company in 2020;
		(III) To consider the Resolution on the Performance Report of Remuneration and Evaluation Committee of the Board of Directors of the Company for 2020.
The second meeting of the remuneration and evaluation committee of the second session of the Board in 2021	12 April 2021	To consider the Resolution on the Implementation of Tenure-based System and Contract-based Management Plan for the Management of the Company and Supporting Documents.

Attendance of each member at the meetings are as follows:

No.	Name	Position	Attendance/ Meeting
1	Yu Jiahe	Chairman of the committee	2/2
2	Liu Feixiang	Member	2/2
3	Sun Linfu	Member	2/2

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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 (if any) applicable to employees and Directors; and
5. to review the Company's compliance with the CG Code and the disclosure of corporate governance report as set out in the annual report of the Company.

During the reporting period, the Board reviewed and supervised from time to time the implementation of a series of corporate governance documents; reviewed and actively organized training and continuing professional development for Directors and senior management; reviewed and monitored whether there was any violation of laws and regulatory requirements by the Company; approved the Corporate Governance Report of the Company for the year 2020, 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.

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IV. CHAIRMAN AND GENERAL MANAGER

The offices of the chairman and the general manager of the Company are held by different persons. Mr. Liu Feixiang is the chairman and Mr. Tong Pujiang 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.

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

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

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

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

V. 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 six 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.

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VI. 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 with due consideration of the Company's actual situation, which is suitable for the business development of the Company. Thus, the Board diversity policy was fulfilled during the reporting period.

VII. NOMINATION OF DIRECTORS

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

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VIII. REMUNERATION OF SENIOR MANAGEMENT

According to paragraph E.1.5 of the CG Code, the range of annual remuneration in 2021 of the members of the senior management whose particulars are contained in the section headed “Directors, Supervisors and Senior Management” in this report is set out below:

For the year ended 31 December 2021

Remuneration band (RMB)	Number of individuals
RMB1 million or above	1
RMB0.5 million (inclusive) to RMB1 million	6
Less than RMB0.5 million	6
Total	13

Note: Two senior management members resigned in April 2021 and three were appointed in April 2021. The remuneration of the above-mentioned members of the senior management only refers to that received by them during their tenure.

IX. REMUNERATION OF THE AUDITOR

Deloitte Touche Tohmatsu Certified Public Accountants LLP is the auditor of the Company in 2021. For the year ended 31 December 2021, the services provided and the remuneration received by Deloitte Touche Tohmatsu Certified Public Accountants LLP are as follows:

Services	Fee (RMB'000)
Auditing fee for 2021 financial statements	2,380
2021 interim review	400
Total	2,780

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X. 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 2021, to give a true and fair report of the Company's financial position and financial performance.

According to paragraph D.1.1 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 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.

XI. 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. Law Chun Biu, aged 48, 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. Ma Changhua are set out in the section of "Directors, Supervisors and Senior Management".

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XII. 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 upon the consideration and approval at the 2020 annual general meeting of the Company.

XIII. 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.

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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, 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 "Insider 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

XIV. SHAREHOLDERS' RIGHTS

1. Convening extraordinary general meetings

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

2. Putting enquiries to the Board

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

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

3. Putting proposals at general meetings

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

CORPORATE GOVERNANCE REPORT

XV. INVESTOR RELATIONSHIP

The Company is of the view that effective communication with Shareholders is critical for strengthening investor relation and attracting investors. In 2021, 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 a securities department 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.

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

XVI. 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, financial results/conditions;
- working capital;
- capital requirements and future prospects;
- cash flows;
- any other factors which the Board deems relevant.

CORPORATE GOVERNANCE REPORT

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 Deloitte Touche Tohmatsu Certified Public Accountants LLP, net profit attributable to the owners of the Company in 2021 as set out in the consolidated financial statements prepared under the China Accounting Standards for Business Enterprises amounted to RMB50,376,153.58.

The distributable profit of the Company as of 31 December 2021 will be allocated in the following priority:

1. RMB5,815,178.69, being 10% of the net profit achieved in 2021, will be appropriated as statutory surplus reserve, upon which, profit available for distribution in the consolidated financial statements for the current year will be RMB532,978,661.65;
2. Cash dividends of RMB0.01 per share (tax inclusive), totaling RMB15,198,840.00 based on the total share capital of 1,519,884,000 as at 31 December 2021, upon which, the balance of RMB517,779,821.65 will be brought 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 2021.

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.

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;
- Measures for License for Design, Manufacture, Maintenance and Import of Railway Locomotives and Vehicles promulgated by the Ministry of Transport on 24 December 2013 and enforced on 1 January 2014;
- 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 3 April 2014;
- 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.

DIRECTORS' REPORT

In the year of 2021, 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.

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 13.62% of the Company's total purchase for this year, and the purchase attributable to our five largest suppliers amounted to approximately 52.10% of our total purchase for this 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 VII 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.

DIRECTORS' REPORT

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.

BUSINESS MODEL AND DIRECTION OF STRATEGY

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

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

DIRECTORS' REPORT

RESULTS AND DIVIDENDS (RESERVE AVAILABLE FOR DISTRIBUTION)

For results of the Company for the year ended 31 December 2021 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 2021 of the Company have been reviewed by the audit and risk management committee of the Company.

As at 31 December 2021, reserve available for distribution of the Group (before distribution of the final dividend) amounted to RMB533 million. The Board proposed to distribute final dividend in cash of RMB0.01 per share (applicable tax inclusive) for the current year, totaling RMB15.20 million.

The proposed dividend is subject to approval by the shareholders at the 2021 annual general meeting of the Company to be held in 2022. Upon consideration and approval, final dividend for the year ended 31 December 2021 is expected to be paid on or around 22 August 2022.

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 (11) to the financial statements.

SHORT-TERM BORROWINGS

The Group had no short-term borrowings as at 31 December 2021.

LONG-TERM BORROWINGS

The Group had no long-term borrowings as at 31 December 2021.

SHARE CAPITAL

As of 31 December 2021, the share capital of the Company was 1,519,884,000 shares, of which 531,900,000 shares were H Shares.

DIRECTORS' REPORT

USE OF PROCEEDS OF THE COMPANY

After deducting the underwriting commissions and expenses in connection with the global offering, the net proceeds of the global offering were approximately RMB2.27 billion. According to the Proposal to Change the Usage of Part of the Proceeds, which was considered and approved at the 13th meeting of the first session of the Board and the 8th meeting of the second session of the Board, the Company planned to apply the net proceeds from the global offering for the following purposes:

- construction of our “International Technology Cooperation Center” Project: approximately 40% of the net proceeds from the global offering would be used for the construction of our “International Technology Cooperation Center” Project, including acquisition of land, construction of infrastructure and purchase of equipment;
- development of regional business network platform: approximately 10% of the net proceeds from the global offering would be used for upgrading the Company’s business network by developing our sales offices into 4S stores that integrate functions of sales, service, spare parts and survey, so as to provide comprehensive customer services and systemic solutions to the Company’s large railway track maintenance machine customers;
- general domestic and overseas mergers and acquisitions: approximately 5.46% of the net proceeds from the global offering would be used for general domestic and overseas acquisitions related to the large railway track maintenance machinery industry, and will enable us to strengthen and complement the Company’s core value chain;
- working capital: no more than approximately 44.54% of the net proceeds from the global offering would be used to supplement working capital.

Save for the aforesaid, there is no other change to the usage of net proceeds from the global offering.

DIRECTORS' REPORT

The following table sets forth the actual use of proceeds of the Company as at 31 December 2021:

Planned use	Budgeted usage amount (RMB billion)	Amount unutilized as at the beginning of the period (RMB billion)	Amount utilized during the reporting period (RMB billion)	Amount unutilized as at the end of the period (RMB billion)
Construction of our "International Technology Cooperation Center" Project	0.91	0.11	0.07	0.04
Development of regional business network platform	0.23	0.19	0.04	0.15
General domestic and overseas mergers and acquisitions	0.12	0	0	0
Working capital	1.01	0.18	0.18	0
Total (excluding interest)	2.27	0.48	0.29	0.19

As at 31 December 2021, the balance of the proceeds from H Shares issuance of the Company was approximately RMB256 million (including interest income). The Company will use the balance of the proceeds at the appropriate time according to future development plans and actual needs. The Company expects that the proceeds will be fully utilized by 31 December 2023. The Company utilized the proceeds in line with the purposes previously disclosed.

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 did not subscribe pre-emptive rights for shares on a pro rata basis.

RESERVE AVAILABLE FOR DISTRIBUTION

As at 31 December 2021, the Group's reserve available for distribution calculated in accordance with relevant regulations amounted to approximately RMB533 million.

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 43.03% 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 43.54% of the Group's total revenue. The five largest customers of our Group were 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., the purchase from whom is attributable to approximately 13.62% of the Company's total purchase, and the purchase attributable to our five largest suppliers amounted to approximately 52.10% of our cost for the year. Significant changes in the relationship between the Company and our major suppliers may have a material adverse impact on our business.

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

DIRECTORS' REPORT

DIRECTORS AND SUPERVISORS OF THE COMPANY

The Directors and Supervisors of the Company during the year 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
Liu Feixiang	Executive Director and Chairman of the Board	29 June 2018
Tong Pujiang	Executive Director and General Manager	29 June 2018
Chen Yongxiang	Executive Director and Vice General Manager	29 June 2018
Zhao Hui	Non-executive Director	29 June 2018
Sha Mingyuan	Non-executive Director	29 June 2018
Sun Linfu	Independent Non-executive Director	29 June 2018
Yu Jiahe	Independent Non-executive Director	29 June 2018
Wong Hin Wing	Independent Non-executive Director	29 June 2018

2. Composition of the Supervisory Committee

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

Name	Position in the Company	Commencement date of serving as Supervisor of the Company
Yu Qiuhua	Chairman of the Supervisory Committee and Employee Supervisor	24 May 2018
Zhong Xiangjun	Representative Supervisor of Shareholders	23 October 2020
Wang Huaming	Representative Supervisor of Shareholders	29 June 2018

DIRECTORS' REPORT

BIOGRAPHIES OF DIRECTORS AND SUPERVISORS

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

POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

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

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

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details of the remuneration of the Directors and Supervisors of the Company for the year ended 31 December 2021 are set out in Note XII.2(1) to the consolidated financial statements.

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

During the year and as at 31 December 2021, none of the Directors nor Supervisors had a material interest, whether directly or indirectly, in any contract 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 2021, 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.

DIRECTORS' REPORT

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

During the year and as at 31 December 2021, none of the Directors, Supervisors and the general manager or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)), required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or any interests or short positions required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or any personal, family, corporate or other interests or short positions required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

PERMITTED INDEMNITY PROVISIONS

During the reporting period and as at 31 December 2021, the Company has purchased liabilities insurance for the Directors, which provides appropriate insurance for the Directors.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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 2021, the Company had 2,040 full-time employees, and the total amount of remuneration (including salaries and additions) for employees in 2021 was approximately RMB431 million.

DIRECTORS' REPORT

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 XII.2(1) in the financial report. As of 31 December 2021, 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.

IV. SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

(I) Structure of Share Capital

The Company's share capital structure as at 31 December 2021 was as follows:

Shareholder	Type	Number of shares	% of issued share capital as at 31 December 2021
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

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

To the knowledge of the Directors, as of 31 December 2021, except for the Directors, Supervisors or the chief executive of the Company, the interests and short positions of any person in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO are set out as follows:

Unit: share

Name of substantial Shareholder	Number of shares held ^{Note 1}	Capacity	Approximate percentage of domestic share capital	Approximate percentage of H Share capital	Approximate percentage of issued share capital
China Railway Construction Corporation Limited ^{Note 2}	968,224,320 (L)	Beneficial owner	98.00%	–	63.70%
	19,759,680 (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.

Note 3: As at 31 December 2021, China Railway Construction Group Co., Ltd. directly held approximately 51.13% 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 Co., Ltd. was deemed to be interested in these shares.

DIRECTORS' REPORT

Note 4: As at 31 December 2021, 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.

Note 5: Apart from "Approximate percentage of issued share capital", the rest of the information disclosed in this form is based on information provided by the interests disclosure system of the Stock Exchange website (www.hkexnews.hk).

PUBLIC FLOAT

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

CONTINUING CONNECTED TRANSACTIONS

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

Non-exempt continuing connected transactions

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

The Machinery Equipment and Accessories Sales Framework Agreement with CRCC

The Company entered into the Machinery Equipment and Accessories Sales Framework Agreement with CRCC on 26 April 2019, pursuant to which, the Company agreed to provide the following to CRCC and/or its associates:

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

The term of the agreement commenced from 1 January 2020 and will end on 31 December 2022, subject to early termination by either party giving at least three months' prior written notice to the other party. For details, please refer to the circular of the Company dated 13 June 2019.

DIRECTORS' REPORT

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;

where there are no market prices for the relevant products which are applicable to new types of large railway track maintenance machines to be tailor-made for the specifications required by the CRCC Group for its specific business needs, then the price shall be determined according to the price to be agreed between the parties: the agreed price will be calculated based on the actual costs, which include raw materials, accessories, depreciation, salary, energy, technology consumption and equipment maintenance, incurred in providing such products plus reasonable profits; the Group will charge a mark-up rate, taking into consideration of the specific types of products, for the transactions on a cost-plus basis. Such mark-up rate charged to the CRCC Group is 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 2021, 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 connected transactions of the Company.

The Company convened its 2018 annual general meeting on 28 June 2019, 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 be RMB1,100 million, RMB1,100 million and RMB1,100 million for the years of 2020, 2021 and 2022, respectively. For details, please refer to the circular of the Company dated 13 June 2019.

For the year ended 31 December 2021, 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 RMB364.67 million, not exceeding the annual cap of RMB1,100 million for the year of 2021 as approved by the general meeting.

DIRECTORS' REPORT

Financial Services Framework Agreement with CRCC Finance Company Limited

On 22 December 2020, the Company renewed the financial services framework agreement (the “**Financial Services Framework Agreement**”) with CRCC Finance Company Limited (a subsidiary of CRCC), pursuant to which, CRCC Finance Company Limited would provide deposit services to the Group till 31 December 2021. For details, please refer to the announcement of the Company dated 22 December 2020.

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

Pursuant to the Financial Services Framework Agreement, CRCC Finance Company Limited shall accept deposits from the Group at interest rates not lower, and thus no less favorable to the Group, than the rates offered by commercial banks for deposits of the same category.

The Group and CRCC Finance Company Limited 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 principle terms thereunder.

As of 31 December 2021, CRCC Finance Company Limited 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.

The Company convened the fifteenth meeting of the second session of the Board on 22 December 2020, 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 Company Limited and the maximum daily balance of deposits (including accrued interest) under the agreement to be placed by the Group with CRCC Finance Company Limited for the year of 2021 to be RMB45 million. For details, please refer to the announcement of the Company dated 22 December 2020.

The Company convened the 22nd meeting of the second session of the Board on 21 December 2021, 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 Company Limited and the maximum daily balance of deposits (including accrued interest) under the agreement to be placed by the Group with CRCC Finance Company Limited for the year of 2022 to be RMB36 million. For details, please refer to the announcement of the Company dated 21 December 2021.

During the year ended 31 December 2021, the maximum daily balance of deposits (including accrued interest) placed by the Group with CRCC Finance Company Limited under the Financial Services Framework Agreement was RMB44.98 million, not exceeding the annual cap of RMB45 million as approved by the Board.

DIRECTORS' REPORT

Product Sales and Paid Services Framework Agreement with CRCC

The Company entered into the Product Sales and Paid Services Framework Agreement dated 31 July 2020 with CRCC, pursuant to which, CRCC and/or its associates shall provide products and services to the Company and/or its subsidiaries, including:

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

The term of the agreement commenced on 1 January 2021 and will end on 31 December 2023, subject to early termination by either party giving at least three months' prior written notice to the other party. For details of this agreement, please refer to the circular of the Company dated 9 September 2020.

The principal pricing policies of the Product Sales and Paid Services 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, 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 favorable than those available to the Company from the independent third party suppliers for purchasing the same type of products or services, including the costs of the relevant products or services, quality requirements, market conditions and time arrangement.

DIRECTORS' REPORT

Where there are no market prices for the relevant products and services that are aimed at meeting the Company'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, 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 Company is generally not higher than 15% for all transactions under the Product Sales and Paid Services Framework Agreement, which is the same mark-up rate charged to an independent third-party customer.

As at 31 December 2021, 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 Product Sales and Paid Services Framework Agreement constituted continuing connected transactions of the Company.

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

As at 31 December 2021, the amount paid by CRCC and/or its associates to the Company in respect of the products and services under the Product Sales and Paid Services Framework Agreement was RMB57.49 million, not exceeding the annual cap of RMB350 million for the year of 2021 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.

DIRECTORS' REPORT

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) 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 IX 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, CRCCG 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 CRCCG 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 CRCCG 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**").

DIRECTORS' REPORT

During the year ended 31 December 2021, the Company's independent non-executive Directors reviewed the compliance with the Non-Competition Agreement as well as relevant information provided by CRCC and CRCCG. In the opinions of the independent non-executive Directors, CRCC and CRCCG complied with the relevant provisions under the Non-Competition Agreement in 2021; 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.

EVENTS AFTER THE BALANCE SHEET DATE

As disclosed in Note XI to the financial statements, on 30 March 2022, the Board proposed the payment of a final dividend of RMB0.01 per share (tax inclusive) for the year ended 31 December 2021. 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 organisations 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 current year have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

At the 19th meeting of the second session of the Board held on 6 May 2021, the Resolution on Preparing Financial Statements and Disclosing Corresponding Financial Report only Subject to the China Accounting Standards for Business Enterprises and the Resolution on 2020 Auditing Fee Payment and Appointing Auditing Firm of the Company for 2021 were considered and approved, pursuant to which, the Company was approved to align in preparation of financial statements and disclosure of corresponding financial report in accordance with the China Accounting Standards for Business Enterprises.

At the 2020 annual general meeting of the Company held on 28 June 2021, the Resolution on Appointing Auditing Firm of the Company for 2021 was considered and approved, pursuant to which, the Company was approved to cease to reappoint Deloitte Touche Tohmatsu, the international auditing firm, and appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP as the auditor of the Company for 2021 under the China Accounting Standards for Business Enterprises to audit the financial statements of the Company for 2021.

By order of the Board of Directors

Liu Feixiang

Chairman

Kunming, Yunnan, the PRC
30 March 2022

SUPERVISORY COMMITTEE'S REPORT

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

I. DETAILS OF MEETINGS OF THE SUPERVISORY COMMITTEE

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

Session of meeting	Date	Matters considered
The eighth meeting of the second session of the Supervisory Committee	19 March 2021	<ol style="list-style-type: none">1. Resolution on the Company's 2020 Annual Report and Results Announcement;2. Resolution on the Company's 2020 Supervisory Committee Work Report;3. Resolution on the Company's Final Financial Report for 2020;4. Resolution on the Company's Profit Distribution Plan for 2020;5. Resolution on the Company's 2020 Report of Internal Risk Control.
The ninth meeting of the second session of the Supervisory Committee	6 May 2021	Resolution on Preparing Financial Statements and Disclosing Corresponding Financial Report only Subject to the China Accounting Standards for Business Enterprises
The tenth meeting of the second session of the Supervisory Committee	13 August 2021	Resolution on the Company's 2021 Interim Results Announcement and Interim Report

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

SUPERVISORY COMMITTEE'S REPORT

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

In 2021, amid the persistent rage of the COVID-19 pandemic and global trade tension, the Company embraced the opening year of the "14th Five-year" plan. Upholding the guiding ideology of socialism with Chinese characteristics in the new era proposed by General Secretary Xi Jinping, the Company remained committed to the keynote of making progress amid stability, integrated the new development concept into day-to-day operation, and focused on pursuing quality development, thereby paving the way for the "14th Five-year" plan. The Supervisory Committee is satisfied with the Company's accomplishments.

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

1. Compliance operation of the Company

In 2021, in accordance with relevant laws and regulations of the PRC and under the authority conferred by the Articles, the Supervisory Committee reviewed the procedures adopted in the convening, passing of resolutions, decision-making procedures, results of voting of the Company's general meetings and the Board meetings, implementation of resolutions of general meetings and Board meetings by the Board, the performance of duties of senior management and the management system of the Company.

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

2. Financial reports gave a true and accurate view

The Supervisory Committee seriously and thoroughly reviewed the Group's financial system and financial position, and considered that the Group's 2021 financial report gave a true, accurate and fair view of the financial position and operation performance of the Group, and that the audit opinion issued and the evaluation of the relevant matters by Deloitte Touche Tohmatsu Certified Public Accountants LLP were also true and fair.

SUPERVISORY COMMITTEE'S REPORT

3. Implementation of resolutions of the general meeting

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

4. Connected transactions

The Supervisory Committee considers that the connected transactions between the Group and CRCC during the year were entered into in the ordinary and usual course of our business. The transactions were on the principles of openness, fairness and justness and were entered into in the interests of the Group and the shareholders as a whole. After its review, the Supervisory Committee considers that the Group's procedures of connected transactions in 2021 were in compliance with the relevant laws and regulations of the PRC and the Listing Rules and is not aware of any impairment to the interest of the Company and its Shareholders by means of connected transactions.

5. Implementation of Non-Competition Agreement

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

In 2022, the Supervisory Committee will continue to fulfill its supervisory duties faithfully and diligently in strict compliance with the Company Law, the Articles and relevant provisions, and strive to fulfill its work with an aim to protect the interests of the Company and its Shareholders.

Yu Qiuhua

Chairman of the Supervisory Committee

Kunming, Yunnan, the PRC
30 March 2022

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 2021 to 31 December 2021 (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 stakeholders and the Company. This section has been prepared based on the ESG Reporting Guide issued by the Hong Kong Stock Exchange, with a purpose of reporting on employment and labor practice, operating practice, community and environment and so on.

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 stakeholders 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 GB/T19001-2016 idt ISO9001:2015 quality management system, ISO14001:2015 environmental management system, GB/T28001-2011 occupational health and safety management system and ISO/TS22163 operating 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. Staff of the Company

1. Current condition of staff

As at 31 December 2021, the Company had a total of 2,040 employees, representing a decrease of 0.49% as compared to the year of 2020.

Indicator	Number of employees in 2021	Number of employees in 2020	Turnover rate
By gender			
Male	1,671	1,671	3.89%
Female	369	379	7.86%
By employment type			
Middle and senior management	109	112	—
Production and relevant staff	900	921	—
Technical staff	1,031	1,071	—
By age group			
<30	377	425	9.55%
30 to 50	1,445	1,422	2.56%
>50	218	203	9.63%
By education background			
Doctor	2	1	—
Master	218	184	—
Bachelor	848	795	—
Junior college and below	972	1,070	—
By geographic region			
China	2,040	2,050	4.61%
Fulltime or part-time			
Fulltime	2,040	2050	
Part-time	0	0	

Note: Turnover rate = number of resigned employees number of employees as at the beginning of 2021 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 Minors 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 absorbs talent based on principles of openness, transparency, fairness and merit.

During the reporting period, the Company absorbed talents in 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, professional and technical talent and craftsmen required for the business through recruitment from campus and society, mass media, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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, obtaining the Occupational Health and Safety Management System Certificate for GB/T45001-2020/ISO145001: 2018 Standard in 2020. 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. *Safety production management*

To protect the occupational health and safety of employees, 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 and adheres to the principal of “joint responsibility between party and government, one position bearing two kinds of responsibility, and joint control and management among various departments”. 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 systems, procedures and processes relating to safety production and occupational health management such as the Management Regulations on Safety Production Education and Training, Regulations on the Administration of Labor Protective Equipment, the Procedures for Controlling Information Exchange and Communication, the Procedures for Monitoring and Controlling the Performance of Environmental and Occupational Health and Safety, and the Approval Process for the Demand Plans for Labor Protective Equipment. 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 2021, safety production expense of the Company amounted to RMB9,114,000, including occupational health expense of RMB3,941,800, of which RMB133,000 was incurred for employee physical examination; occupational hazards inspection and evaluation expense of RMB279,000; completion acceptance and evaluation expense of RMB48,500 for occupational disease prevention facilities at the engineering research center; and labor protection articles expenses of RMB3,601,000, aiming to provide necessary protective equipment and medical security in all its business or business which may cause harm to employees. The Company has also established a safety education and training system, and conducted regular safety reviews, making sure that all employees are aware of hazards and conducts prevention and treatment. We also supported the development of occupational health and safety in the industry.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company achieved the following key safety indicators in 2021: 1. the Company recorded zero case of work-related casualties in 2019 and 2020, accounting for 0% of employees as at the end of 2019 and 2020. In 2021, the Company recorded one case of work-related casualty, accounting for 0.05% of employees as at the end of 2021; 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 1,108 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; 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Dedicated to the “people-oriented” principle, the Company leveraged occupational hazards inspection and evaluation to effectively control the harm of noise, dust, hazardous gases and toxic substances to employees. In 2021, 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 1,190 test items of seven categories. Occupational hazards are tested once on an annual basis regarding 1,089 test items of 20 categories, and the qualification rate of all the tests exceeded 80%. 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 374 during employment, 74 before employment and 16 upon termination of employment, and six of them received reexamination. Employees are provided with physical examination results, and urged to rectify issues found in the reexamination. The Company did not record any case of occupational disease in 2021.

III. Caring for Staff

1. *Development and training*

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

Employee training is the Company’s primary means for human resource development. In this regard, the Company collects the training requirements for its subordinate units and its employees every year and proposes and implements training plans accordingly. The categories of training plans include qualification training and adaptive training while the programs include enterprise management, marketing, overseas services, professional technique, skill enhancement, safety knowledge, property management, internal trainer development, curriculum development, mentoring, standards establishment, key job skills and other aspects. The Company was recognized as the “training base for skillful talents in Kunming”. During the year ended 31 December 2021, the Company completed 91 internal and external training programs with 4,531 actual trainees, 71,206 hours in total and employee training expenses of RMB1.902 million.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Information on trainings provided to employees

	Category total	Employees trained	Employees trained as a percentage of total employees	Average training hours per employee
By gender				
Male	1,671	1,521	91%	48.6
Female	369	248	88.9%	48.6
By employee type				
Senior management	16	16	100%	48.2
Middle-level management	93	93	100%	46.3
General staff	1,931	1,660	85.9%	50.1

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

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

- (i) Corporate culture training and three-level safety education and training for new employees
- (ii) Internal lecturer development program
- (iii) Core curriculum development project
- (iv) Electrical process improvement project and skills competition
- (v) Mentoring program
- (vi) New enterprise mentorship program
- (vii) Skill enhancement operation and technical competition

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Some of the key projects are as follows:

The training activities are designated to forge a “positive, open, dynamic and progressive environment to arouse the learning enthusiasm of employees and motive them to make practicable adjustments”, in an endeavor to support business development through identifying problems in performance, design and implementation of consultation schemes, knowledge extraction and curriculum development, and design and operation of learning projects. The Company launched the “lecturer cultivation, curriculum refinement, experience learning and practice motivation” activity to strengthen the “lecturer-curriculum co-cultivation” project.

(1) System construction

The Company modified and optimized the Training Management System, specifying the intellectual property rights of core courses and certified the courses to lecturers, so as to motivate the enthusiasm of internal lecturers to continuously develop and innovate high-quality courses. 32 internal lecturers were certified during the year, bringing the number of internal lecturers of the Company to 100, and realizing the tiered training of internal lecturers. Besides, the Company formulated the Management Measures for Mentoring to develop practical projects and designate R&D mentors and on-site masters, in a bid to promote personnel training in R&D design, operation and management, production technology, technical services and on-site construction.

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(2) *Mentoring program*

To sharpen the experience of R&D and design experts and skillful production masters, tap into their roles in providing “instruction, aid and mentoring”, and effectively carry out the mentoring program, the Company formulated the mentoring program management method and implementation plan, and rolled out mentoring activities for more than 200 new employees in recent two years. The Company selected 229 R&D instructors and production masters from research and design institutes, manufacturing plants, remanufacturing plants and technical service companies, launched 120 production practice projects and 109 R&D practice projects. The instructors will specify the training path for each employee prentice based on post requirements, and determine the R&D projects and production practice projects. The R&D projects will be evaluated by the expert group of the research and design institutes, and the production practice projects will be evaluated by the technology institute of the research and design institute. The instructors will give lectures with the help of drawings and design specifications and arrange on-site operation, evaluate the weakness in knowledge and capacity of fresh employees admitted to the research and design institute, propose relevant opinions and suggestions, and put forward requirements. Employee prentices will summarize R&D and design projects and production practice projects in stages, proactively report their thoughts, work, study and learning conditions to the instructors, finish the work and learning tasks assigned by the instructors, and take the initiative to facilitate the instructors to undertake projects and enhance their own skills during the process.

(3) *Electrical process improvement project and skills competition*

In order to promote the constant improvement of the level of electrical system design, production, commissioning and maintenance, and ensure the safe operation of the electrical system, upon several on-site investigations, meetings and discussions, and extensive solicitation of opinions from R&D, production, quality and inspection departments, the Company determined to establish an electrical process improvement working group comprising more than 20 heads and experts from the manufacturing supervision project department, the research and design institute, the general manufacturing plant, the remanufacturing plant, the quality management department and the training center to be responsible for electrical process improvement in six stages, and formulate and popularize the Electrical System Technical Design and Process Design Specification, aiming to “forge a set of standards, focus on the process and enhance capability”. On 29 December 2021, the Company launched an internal electrician skills competition, and granted the title of “CRCC Technical Expert” to the winner.

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(4) *Trainings of lecturers*

In view of the changing environment in the digital era, businesses cannot achieve success without rapid learning, adaptation and innovation, and only by doing so can enterprises address changes with knowledge and technical accumulation and strive for sustainability. The Company strengthened the competence of full-time and part-time lecturers through online horizon expansion, offline capacity enhancement and internal experience sharing to improve their expertise in tackling business hardships and providing internal consultation.

2. *Colorful leisure activities*

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

- (i) In February, the Company held the sixth employee photo contest themed "Spending the Chinese New Year Back at my Hometown", and received 85 photos, of which 11 were granted a prize. More than 30 employees participated in the activity and RMB2,700 was incurred.

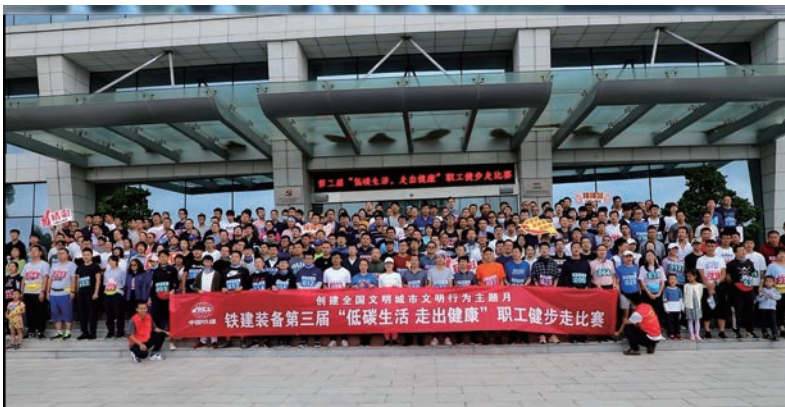


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- (ii) In April, the Beijing Branch of the Research and Design Institute of the Company joined hands with staff in the overseas operation department and the rail transit operation department who stationed in Beijing to launch the fun activity themed “Getting Close to Nature in Spring and Aspiring for a Better Tomorrow with Amicable Exchanges”. More than 80 employees participated in the activity and RMB13,676 was incurred.



- (iii) In June, the Company held the celebrations for the 100th anniversary since the founding of the Chinese Communist Party and fourth “Low-carbon Life, Walk for Health” employee walking competition. More than 400 employees participated in the competition, of whom 40 won a position and received awards. RMB58,628 was incurred.



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- (iv) In September, the north base of the Company's remanufacturing general factory held the men's basketball competition and fixed-point shooting competition for women. RMB10,700 was incurred.



- (v) In October, the R&D center of the Company held the "Sports for Health and R&D with Me" health running activity to mobilize employees to proactively participate in physical exercise, and urge them to develop the habit of keeping up physical exercise based on actual work conditions of employees of the R&D and design institute. More than 150 employees participated in the activity and RMB5,360 was incurred.



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IV. Labor Standards

The Company considers compliance as our minimum responsibility. In 2021, the Company collected and conducted risk assessment on a total of 40 laws and regulations applicable to human resource systems, including national laws, administrative regulations, national and industrial standards and normative requirements. The Company also conducted compliance evaluation, and translated into various rules and regulations and well-defined working procedures in a specific form. During the reporting period, the Company has complied with the relevant laws and regulations in relation to employment and labor practices that have a significant impact on the Company.

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

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

The "Administration Measures on the Labor Contract for Employees" of the Company specifies that the Company establishes and terminates contractual labor relationships with our employees in accordance with national laws and regulations. The Company guarantees that all employees are entitled to the holidays and festivals and weekends as required by the state and paid leave such as annual leave, family leave, leave for marriage or funeral and family planning leave, and other leave agreed in labor contracts and collective contracts. The Company adopts a working system of 8 hours a day, 40 hours a week. However, due to production or other special circumstances, we ensure that, without violating the national regulations, the Company insists on arranging our employees to extend their working hours on a voluntary basis according to the overtime procedure without prejudice to their health.

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PART III OPERATION PRACTICE

I. Supplier Chain Management

1. *Supplier management*

The Company has established a series of strict supplier assessment mechanisms and practice policies. The Company selects and re-assesses appropriate, capable and responsible suppliers with reference to their prices, safety management, environmental protection capabilities, inspection capabilities, infringement histories, production capacities, delivery cycles, after-sales services, and assurance abilities. The management of suppliers during their whole life circles has been substantially achieved, covering the development, identification, risk, performance, termination and document management of suppliers.

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

In the process of identifying suppliers, the Company maintains stringent audit over the quality management system, environmental management system and occupational health and safety management system of suppliers, and gives priority to suppliers with three-system certification qualifications (within the validity period). In principle, manufacturing enterprises without three-system certification will not be admitted as qualified suppliers of the Company. In case of special industries, suppliers should hold the qualification certificates issued by relevant national departments (such as national industrial product production license, hazardous chemicals production license, business license, special equipment manufacturing license and road transportation license), and such qualification certificates must be true and valid.

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

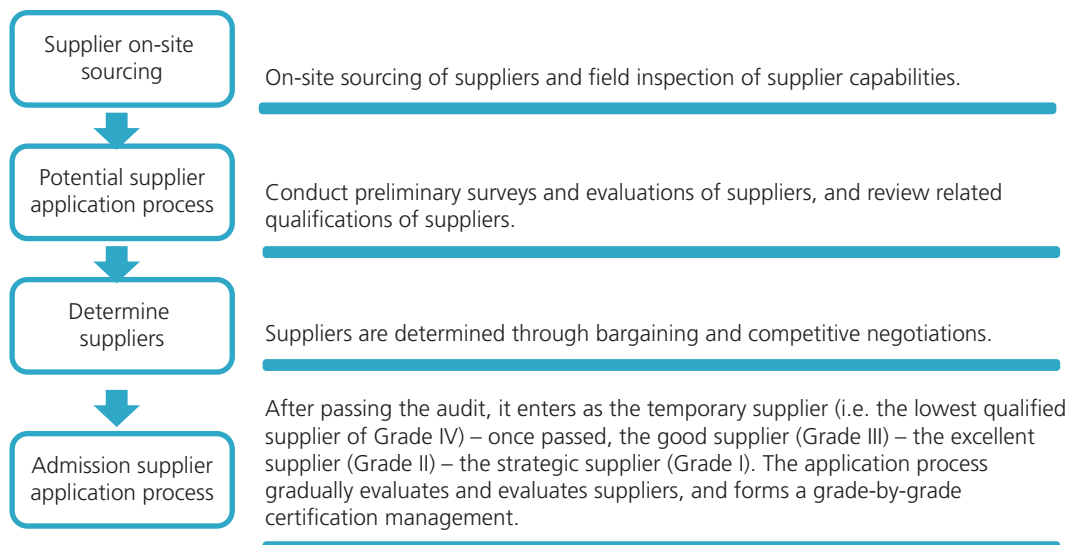
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3. *Selection of environmentally friendly products and services of suppliers*

The Company supports and encourages suppliers to provide environmentally friendly products and services. In the process of entering into contracts with suppliers, the Company requires them to execute safety and environmental protection agreements to guarantee that they provide environmentally friendly products and services.

In the process of supplier evaluation, the Company randomly designates certain suppliers for on-site evaluation each year, and attaches importance to their environmental protection commitment. The Company integrates the sustainable development concept into the supply chain, advocates green procurement and production, and strives to achieve consistency between suppliers and the Company in terms of corporate social responsibility, so as to improve the overall performance of the industry. The Company will terminate cooperation with suppliers who violate the environmental or social policies of the Company or the contractual requirements until they make improvements.

4. *Supplier selection and engagement*



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The Company implements the above selection process for all suppliers and conducts performance evaluation every year, and it also conducts semi-annual or irregular evaluations according to the situation. In order to form a positive cycle, the admission and exit channels of suppliers are established based on the results of performance evaluation. This improves the quality of the Company's qualified suppliers and guarantees that the materials, projects and services purchased by the Company meet the requirements of quality, technology, service, delivery, cost, environment and occupational health. We gradually improve the self-management capability of our suppliers through establishing specific systems, thus promoting mutual development.

Based on the suppliers' grade after assessment, the breakdown of existing suppliers of the Company is as follows:

Potential suppliers:	461
Temporary suppliers:	814
Grade III good suppliers:	442
Grade II excellent suppliers:	66
Grade I strategic suppliers:	3

5. *Geographical distribution of suppliers*

Number of suppliers by geographical location:

Eastern China:	over 190 (including Shandong, Jiangsu, Anhui, Zhejiang, Fujian, Shanghai);
Southern China:	over 40 (including Guangdong, Guangxi, Hainan);
Central China:	over 170 (including Jiangxi, Hunan, Hubei, Henan);
Northern China:	over 360 (including Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia);
Northwest China:	16 (including Ningxia, Xinjiang, Qinghai, Shaanxi, Gansu);
Southwest China:	over 490 (including Sichuan, Yunnan, Guizhou, Tibet, Chongqing);
Northeast China:	over 8 (including Liaoning, Jilin, Heilongjiang);
Hong Kong, Macau, Taiwan, Europe and America:	over 30 (including Taiwan, Hong Kong, Macau, Europe and America).

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

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II. Product Liability

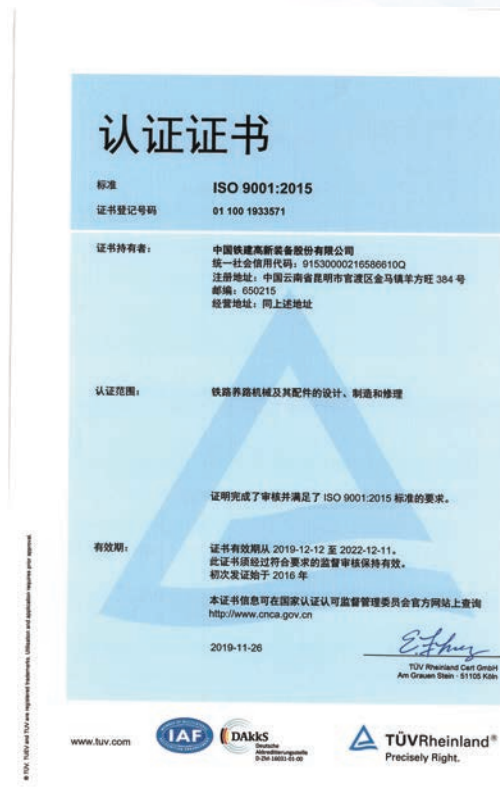
As a leader in the market of large railway track maintenance machinery, the Company is committed to providing high quality products and services and complying with business ethics and ethical rules, and we are devoted to responsible conducts during the sales and provision of products and services.

1. Quality certification

The Company values the importance of specification, standardization and systemization greatly. In 1998, the Company started introducing and implementing ISO9001 Quality Management Standard, created a management system covering the Company's products, production, business operations and business management development in strict compliance with the requirements of ISO 9001:2015, ISO/TS22163:2017 Management System Standard, and organized continuous operations. Subject to the Company's organizational structure, the adjustment of the functions of each unit, domestic and foreign quality management standards, the corporation development and changes and other conditions, the Company implements the changes, improvement and innovation of the quality management system and control mode, organizes and guides all relevant units. The Company operates in strict compliance with ISO9001:2015 Quality System Standard, ISO/TS22163:2017 Railway and Rail Transit Industry Management System Standard, the product certification implementation rules of CRCC, the general requirements for railway product certification and other regulatory requirements. The Company is innovative on system management and control ideas. It created an integrated quality management system of ISO9001, ISO/TS 22163 and CRCC, completed the revision and organized the implementation of more than 300 system documents (including system-related quality manuals, procedure documents, related management systems and operating documents), and fully standardized quality management of the Company in compliance with the laws and regulations. The quality management level of the Company is being continuously enhanced, achieving integration of the quality management of the Company with international and domestic management.

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Quality Management System Certificate for ISO9001:2015 Standard



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CRCC Product Certificates:



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2. *Quality assurance and service system*

The Company insists on the quality principle of “seeking increasing perfection to make the best machinery; striving for excellence to build a first-class brand”. Innovation was made on quality management mode in strict compliance with the ISO9001:2015 standard and based on the actual conditions of the Company, and was promoted and implemented. The Company has established a quality management system integrating group management and control and developed over 100 documents relating to management and control system, such as management and control manual, process management standards and relevant quality management system. The Company also improved and perfected the quality management department, established a management mechanism for quality targets, organised the signing of quality assurance and responsibility letters, and assigned the targets level by level and then conducted performance appraisal on each level. The Company carried out standardised management of the processes involving the Company’s products which include marketing, material and component purchase, production organisation and control, quality testing and acceptance, complete machine acceptance, product delivery and service in strict compliance with the requirements of the system, and conducted quality control during the whole processes, making sure that the products manufactured by the Company can meet quality requirements and the requirements of users. The Company has established a quality safety risk management system based on the standard of Guidelines on Comprehensive Risk Management of Enterprises Controlled by Central Government and developed an operation and management mechanism for quality safety risks covering the processes such as product design, supply chain management, manufacturing, after-sales services, quality monitoring and assessment. The control of quality risk point in respect of key working procedures, special processes and the “eight prevention” of products (e.g. the prevention of crack, the prevention of separation, the prevention of burning/hot bearing, the prevention of breakage, the prevention of explosion, the prevention of fire, the prevention of split and the prevention of runaway train) were strengthened. Guidance on operation process was followed strictly, and innovative mode for spot check and control was required for critical quality monitoring. The Company improved exception reporting of process quality and the emergency management mechanism of railway traffic accidents and comprehensively promoted quality safety risk management and control, ensuring the quality safety of complete machines and the safety of railway transportation, as well as the consistent fulfilment of its mission of “providing solid support to railway”.

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

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

3. *Management method*

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

During the reporting period, the Company has complied with relevant laws and regulations on product liability which have a significant impact on the Company, and there have been no violations of health and safety, advertising, labeling, and privacy issues related to products and services. The Company keeps the customers’ information confidential according to legal requirements. Without the prior consent of the customers, the Company will not provide the customer information to a third party.

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4. *Service system*

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

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

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

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

5. *Protection and maintenance of intellectual property rights*

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

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PART IV ANTI-CORRUPTION

I. Implementing Supervision Responsibility

The Company strictly abides by national and local laws and regulations on preventing corruption, bribery, extortion, fraud and money laundering. In 2021, the Discipline Inspection Committee of the Company adhered to the example effects from the leadership, focused on prevention and control of integrity risks, perfected the responsibility system, strengthened the uprightness and discipline, and achieved a political and ecological integrity. It implemented “Party building + cleanliness and uprightness”, strictly supervised and inspected, and realized that there was no restricted area, full coverage, and zero tolerance in terms of the discipline matters. The sense of responsibility for discipline supervision and accountability has been further strengthened. The Company continued to improve and optimize the supervision system and strengthened construction of the sustainable mechanism where “everyone is deterred from corruption, cannot commit corruption and harbors no intention for corruption”.

Firstly, the Company focused on reinforcing the “re-supervision of supervision” over each functional unit, and urged members to effectively perform their responsibility of “management” and “governance” for Party conduct construction in business operations in the principle of “assigning integrity responsibilities to unit heads”. It also urged the functional departments to strengthen supervision over business in their charge, and investigated the responsibilities of relevant functional departments for material impact and significant losses caused due to insufficient regulation.

Secondly, the Company earnestly followed the Party Conduct Construction Objectives Responsibility Letter of the Party committee of higher authorities and the “one post with dual responsibilities” system of executives, entered into the Party Conduct Construction Objectives Responsibility Letter with the subordinate Party committees, organized the subordinate middle management to execute the Integrity Commitment Letter, and carried out the assessment of the responsibility system for Party conduct construction.

Thirdly, the Company established cadre integrity files, maintained dynamic control over the integrity of the management above middle level, and required them to declare major family events and arrangement for weddings and funerals.

Fourthly, the Company established a long-term mechanism for integrity risk prevention and control, issued the Integrity Risk Prevention and Control Manual, which covered 33 units (departments) of the Company, and strengthened the supervision in fields with power concentration such as capital operation, bidding and procurement, financial funds, safety and quality, and human resources.

Fifthly, the Company conducted special management over employees who run business with relatives and misconduct of appropriating public interests for personal gains, strictly prohibited employees from running businesses, and prevented doing transactions with business run by relatives of or persons related with executives of the Company, so as to avoid the integrity risks.

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Sixthly, the Company implemented the integrity contract mechanism, and required distributors and suppliers with an annual turnover of over RMB100,000 to enter into integrity contract with the Company, and will immediately terminated contract once violations of laws and regulations are found. The Company conducted revisits via phone calls, and launched immediate investigation after being informed of noncompliance by the Company's management personnel, so as to deter them from misconduct.

Seventhly, the Company strengthened the daily supervision over management business, including promotion of personnel, selection of candidate judges for tender and negotiation, admission of suppliers and deployment of capital.

Eighthly, the Company received whistleblowing through the report box and e-mail, attached importance to the handling of reports, and strived for effective settlement for each and every report. It strictly implemented the accountability mechanism, and reported wrongdoings throughout the Company to inform everyone and exert pressures.

Ninthly, the Company paid close attention to the issues of "formalism, bureaucracy, hedonism and extravagance" during holidays. It published the notice on integrity discipline requirements, carried out special supervision and inspection of internal canteens, official reception and sealing of official vehicles before holidays, and reminded management of integrity disciplines before holidays.

II. The Internal Monitoring System of the Enterprise

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

The disciplinary inspection and supervision agency of the Company includes the Discipline Inspection Committee (5 members), the Discipline Inspection Committee office (3 full-time personnel), two disciplinary committees of subsidiaries, and part-time disciplinary personnel.

In a bid to help employees to cope with conflicts of interests and to resist temptations of illegitimate benefits, the Company worked out the "Administrative Measures on Anti-fraud", the "Administrative Measures on Complaint Letters and Whistle-blowing", the "Measures on Investigating the Dereliction of Duty of Management" and other corporate regulations. In the meantime, the Company propagated anti-corruption policies and relevant measures via various means, and made efforts to nurture a corporate culture that values honesty and diligence. The Company arranges training sessions on laws and regulations, integrity and ethical conduct on an annual basis, requiring all employees to comply with state laws and regulations, industry code of conduct, corporate ethics and regulations.

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

- (i) Holding learning session on works on anti-corruption in 2021, entering into Letter on the Responsibility of Incorrupt Construction of the Communist Party with the party committees of the subsidiaries, organizing the assessment of the responsibility system for the construction of the incorrupt construction of the Communist Party;
- (ii) Carrying out anti-corruption education month series activities, including visiting the integrity education base, watching education videos, launching integrity special Party classes, knowledge contests, and preparing integrity culture publicity and education exhibition boards;
- (iii) Promoting the procedure-based and standardized publicity of integrity education, and developed the integrity education into the annual Key Points of Party Conduct Construction and Anti-corruption, the Party Conduct Construction Objectives Responsibility Letter of the subordinate Party organizations and the key control targets of the Party branches; and employing new media approaches, such as OA system, WeChat and SMS to publicize the integrity education;
- (iv) Establishing integrity records for cadres, implementing the dynamic management for the integrity of cadres of the middle-level and higher-level, requiring members of the leadership team and leading cadres above the middle level to sign a “committee letter on clean government”, sending anti-corruption notices to management (of middle level and above) when important festivals and holidays were around the corner;
- (v) Focusing on the supervision and discipline innovation, establishing clean contracts to prevent the violations of disciplines and laws, requiring agents and suppliers with an annual business volume of more than RMB100,000 to sign a clean contract with the Company, clearing those breaching regulations and disciplines immediately; and
- (vi) Receiving whistleblowing letters, attaching importance to handling reports, and striving for effective settlement for each report; strictly implementing the accountability mechanism, and reporting wrongdoings throughout the Company to inform everyone and exert pressure.

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

- (i) Enhancing the red line awareness of the laws and regulations. The Company organized Directors and management personnel and workers to learn the Regulations of the Communist Party of China on Disciplinary Actions and the Supervision Law, and organized all people in the Company to study the “Regulations on Violations of Disciplines and Rules of Employees” by CRCC, and the secretary of the Discipline Inspection Committee gave special learning sessions on education on anti-corruption for the leaders and cadre;
- (ii) Enhancing the warning education for key personnel. We regularly organised key personnel such as leaders and cadres of the middle-level and higher-level, personnel of finance, bidding and procurement and logistics, to give warning education;
- (iii) Enhancing daily supervision. Taking the control of the Party Committee as the center, we promoted the implementation of the “Two Responsibilities” under the principle of strict governance of the Party. At the beginning of each year, we enter into the Party Conduct Construction Objectives Responsibility Letter with subordinate Party committees, strictly assess and transfer responsibility and pressure at all levels; we urged the functional departments to strengthen the supervision on the business in their responsibility and made the responsible functional departments accountable for problems causing serious impacts and major losses due to their insufficient supervision; we have prepared prevention and control manual on anti-corruption risks to enhance the daily supervision on anticorruption risks arising from key sections and key personnel;
- (iv) Establishing integrity records for cadres. We collected the basic information, the resume, the main members of the family, the audits involved, the clues and handling of the complaints and whistleblowing-related issues of the leaders and cadres of the middle-level and higher-level, and implemented the dynamic management, to effectively strengthen the daily supervision on leaders and cadres, and consolidate the foundation of anti-corruption work;
- (v) Seriously implementing the system of discipline and accountability and strengthening the investigation and punishment of violations of disciplines. We form a high-pressure situation of discipline and accountability, and give effective warnings to prevent the occurrence of litigation cases related to corruption.

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2. *Establishment and implementation of internal supervision system*

The Company established the “Administrative Measures on Bidding, Procurement and Supervision”, the “Administrative Measures on Complaint Letters and Whistle-blowing”, the “Measures on Investigating the Dereliction of Duty of Management” and other corporate regulations, with online trainings and examination in the form of mini-courses. The Company raised its promotion effort to make it well known to everyone and enforced strict execution of rules and regulations.

3. *Corruption litigation cases*

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

PART V COMMUNITY

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

During the reporting period, the Company took part in community activities for 30 hours, and incurred RMB3,940.

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

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

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During the reporting period, the Company organized the following public welfare activities, including but not limited to:

- (i) In January, students from Kunming University of Science and Technology and Kunming Metallurgy College paid an on-site visit to the Company.

On 12 and 13 January, students from Kunming University of Science and Technology and Kunming Metallurgy College paid an on-site visit to the Company. We demonstrated our corporate culture, development history and products to the students, who therefore gained a systematic understanding of the Company. The visit strengthened the cooperation and integration between schools and enterprises, provided career development instructions for students, and also opened up the channel for the Company to identify and cultivate talents.



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- (ii) In January, the Party committee directly under the headquarters of the Company joined forces with the Happy Neighborhood Community to carry out the sanitation activities of “Seven Special Actions” and “Greeting the Chinese New Year Neat and Tidy” and the party day activity “Eleven Ones”.

On 29 January, in order to promote the normalization of COVID-19 prevention and control and create a sound atmosphere for everyone to participate in environmental protection, the Party committee directly under the headquarters of the Company joined forces with the Happy Neighborhood Community to carry out the sanitation activities of “Seven Special Actions” and “Greeting the Chinese New Year Neat and Tidy” and the party day activity “Eleven Ones” at Shilipu Road, where the Company operates. More than 30 Party members took part in the seven special actions of “sweeping garbage, cleaning toilets, washing hands frequently, cleaning restaurants, managing markets, regular disinfection and public participation” to comprehensively improve the environmental sanitation around the Company and the community.



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- (iii) In April, work union of the Company joined hands with Happy Neighborhood Community, Federation of Work Unions in Guandu District and Jinma Street, and Kunming Hexu Culture Communication Co., Ltd., to launch the theme activity of “Cherishing the Memories of the Martyrs, Remembering the Spirit of Railway Soldiers and Inheriting the Intangible Cultural Heritage” in celebration of the 100th anniversary of the founding of the Chinese Communist Party.

On 7 April, work union of the Company joined hands with Happy Neighborhood Community, Federation of Work Unions in Guandu District and Jinma Street, and Kunming Hexu Culture Communication Co., Ltd., to launch the theme activity of “Cherishing the Memories of the Martyrs, Remembering the Spirit of Railway Soldiers and Inheriting the Intangible Cultural Heritage” in celebration of the 100th anniversary of the founding of the Chinese Communist Party. More than 80 female employees of the Company and residents of Happy Neighborhood Community participated in the activity.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- (iv) In June, 64 senior-one students and more than 10 teachers from Guandu No.2 Middle School paid a visit to the Company to experience the corporate culture of the Company onsite and get close to the large-scale railway maintenance machinery.

On 1 June, 64 senior-one students and more than 10 teachers from Guandu No.2 Middle School paid a visit to the Company to experience the corporate culture of the Company onsite and get close to the large-scale railway maintenance machinery. Young volunteers of the Company showed the students to the structural branch factory, the assembly branch factory, the machining branch factory and the logistics center, and introduced to them the workshop production equipment, profession and operation processes. Schools nurture and introduce talents to the State and society, while businesses provide a stage for talents to demonstrate their gifts. As a state-owned enterprise operating in Yunnan, it is the Company's social responsibility to support local education and act as the social practice base for schools.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PART VI ENVIRONMENTAL PROTECTION

I. Environmental Management

1. Environment management system certification

The Company established its environmental management system certification according to the GB/T24001:2004 environmental management system standard and passed the certification in 2013. The Company updated the system according to the ISO14001:2015 version and passed the certification in 2016. In 2019, the Company passed the GB 24001-2016/ISO 14001: 2015 system re-certification and continuously obtained the environmental management system certification certificate.

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



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2. *Establishing environmental management system*

The Company collects, identifies and obeys the requirements of national laws, regulations and standards, and incorporates applicable provisions into its own management system. The Company also implements ISO environmental management system and establishes relevant management system, pursuant to which compliance assessment is conducted annually. The Company has established various systems in respect of wastewater, waste gas and waste discharge, such as "Management and Control Procedures of Pollutant Emission", "Management System on Waste Goods and Materials", "Monitoring & Measuring Control Procedures of Environmental and Occupational Health and Safety Performance", "Control Procedures of Environmental Resources" and so on. The Company complies with "Integrated Emission Standard of Air Pollutants", "Integrated Wastewater Discharge Standard" and "Emission Standard for Industrial Enterprises Noise at Boundary" respectively in respect of the emission of waste gas, wastewater and noise at boundary. Companies with monitoring qualification were commissioned to monitor the discharge of pollutants, and found all discharges were complied with relevant standards. No unexpected environmental incident and environmental pollution accident occurred.

3. *Measure on environmental management*

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

- (i) Establishing an environmental management system, conducting regular internal inspection and audit on an annual basis and engaging external certification institution to inspect and audit the environmental management of the Company and ensure the effectiveness of the system. The Company passed the supervision and audit on the environmental management system by China Classification Society Quality Assurance Center in 2021;
- (ii) Promoting the acceptance of clean production qualified enterprises, and winning the title of Yunnan Province Clean Production Qualified Enterprise at the end of 2021;
- (iii) Continuing to attach importance to the emergency management of environmental emergencies. The Company has established an emergency system comprising comprehensive plan, special emergency plan and on-site disposal plan. The Emergency Plan for Environmental Emergencies formulated by the Company has been filed with Kunming Ecological Environment Bureau. It carried out emergency drills each year to improve the Company's emergency response capability for environmental emergencies;

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- (iv) Implementing standardized management of hazardous wastes. The Company focused on monitoring hazardous wastes, and established a management system to put hazardous wastes at a fixed point, assign special personnel to be in charge, and keep a clear account. In 2021, the Company's management satisfied with the assessment requirements of standardized management of hazardous wastes of Kunming Environmental Protection Bureau;
- (v) Disclosing the Company's pollutant discharge data and information, regularly publishing the environmental monitoring results on the national pollutant monitoring platform, and accepting public supervision;
- (vi) Paying ongoing attention to the emergency management of environmental emergencies. The Company has established an emergency system comprising comprehensive plan, special emergency plan and on-site disposal plan. The Emergency Plan for Environmental Emergencies developed by the Company has been filed with Kunming Ecological Environment Bureau. It conducts emergency drills for natural disasters such as flood control in rainy season according to seasonal changes each year, so as to enhance the Company's emergency response capability for environmental emergencies.

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

II. Emission Management

Regarding reducing emission of pollutants and wastes as its own responsibility, the Company has therefore been in strict compliance with the international rules and domestic regulations relating to air pollution. Besides, the Company has also formulated various working rules to strictly manage placement and disposal of discarded coating materials, obsolete package and flotsam leftover from production, and continued to improve environment management related methods and measures, expecting to reduce generation of wastes and increase recycle utilization.

1. Waste and discharge control

The Company strictly complies with the requirements of national laws, regulations and standards. The Company has established various systems in respect of wastewater, waste gas and waste discharge. Compliance assessment is conducted annually, the results of which are in compliance with laws and regulations. No violations occurred between 2014 and 2021. The Company obtained a new pollutant discharge permit in 2020. Three wastes discharge met with relevant standards in 2021, with emissions (concentration) falling within the scope of the pollutant discharge permit as approved.

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

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The major pollutants discharged from the Company's waste gas are benzene, toluene and xylene. The major pollutants discharged from wastewater are chemical oxygen demand, ammonia nitrogen and total phosphorus. During the reporting period, wastewater disposed of, recycled and discharged by the Company was 195,893 tons, 194,687 tons and 1,207 tons, respectively with the recycling rate reaching 99.3%, and achieved the goal of waste reduction in 2021. The Company discharged 0.0188384 tons of chemical oxygen demand, 0.00133442 tons of ammonia nitrogen, 0.042439 kg of benzene, 0.1588995 kg of toluene, 1.125495 kg of xylene, and 62.387 kg of total non-methane hydrocarbon.

Statistics of total greenhouse gas generated from the consumption of gasoline and diesel oil during the Company's production process in 2021 are summarized as follows:

Category	Active data	Type of greenhouse gas	Emission (tCO ₂ e)
Diesel oil	509 tons	CO ₂	1,583.326
		CH ₄	0.915834
		N ₂ O	20.65471
Gasoline	0 ton	CO ₂	0
		CH ₄	0
		N ₂ O	0

Statistics of various kinds of waste goods and materials during the Company's production process in 2021 are summarized as follows:

General waste (non-hazardous)

Category	Weight
Steel scrap	1,523.019 tons
Iron scurf	337.4 tons
Aluminium scrap	5.37 tons
Waste wire	9.5 tons
Copper scale	0.5 tons
Oxidising slag	144 tons
Waste wooden boards	20 vehicle trips
Waste oil barrels	380

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Hazardous waste (harmful)

Category	Weight (ton)
Waste spongy filter	9.65
Emulsion	23.52
Waste paints	10.28
Waste paint pot	15.87
Mineral oils	63.67
Asbestos	12.11

Pursuant to the requirements under its pollutant discharge permit, the Company organises environmental monitoring annually, and the results of each emission and the total amount of emission met relevant standards. The Company complied with first class A standard of the “Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant” for the emission of pH, SS, COD, BOD, NH₃-N, PO₄-P, LAS of wastewater and gasoline, the second class standard of “Integrated Emission Standard of Air Pollutants” for the emission of dust and benzene series of waste gas, and type II standard of “Emission Standard for Industrial Enterprises Noise at Boundary” for noise at boundary.

2. Measures and technology for prevention of waste materials

The Company requires and encourages all the staff to conduct responsible behaviors, and to promote environmental protection concept throughout our supply chain and relevant markets. The Company adopts advanced exhaust emission processing equipment for our large railway track maintenance machines, making sure that each function of our products and system could meet the high standards in relation to environmental protection and comply with relevant operation standards as well. Moreover, The Company will continue to keep an eye on research and development of environmental protection equipment and technology. The Company understands and monitors the influence on environment of our normal operation through continuous review and announcement of the organised exhaust emissions by the Company. The Company has introduced large ventilation and dust-removing system, welding fume purifier, sewage treatment and water reclaiming system to reduce smoke dust emission and minimise land pollution, through which, The Company carries out 6S management in our operation sites and enhance placement and management on materials or wastes.

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

(i) Wastewater treatment

The Company has a sewage treatment station which treats wastewater with A/O2 method with daily treatment capacity of 800 cubic meters. Reclaimed water will be discharged upon reaching first class level A standard of “Wastewater Discharge Standard”, and most of it will be reused in the Company’s greening, dust reduction, car washing and so on, and the rest will be discharged to East Baisha River after meeting relevant standard.

(ii) Waste gas treatment

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

As for spray painting, the Company adopts integrated equipment with functions of spray painting, drying and purification, through which painting mist is filtered, absorbed and purified through an organic waste gas purification device with segmented two-stage dry filter cotton + activated carbon fiber during the process of air purification, and then discharged upon meeting with relevant standards.

(iii) Plant boundary noise treatment

The Company applies anti-vibration devices to equipment which generates great noise, such as using flexible joints for draught fans and inlet and outlet pipes of pump, installing silencers to draught fans and air compress tubes of 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.

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

General waste materials: Firstly, the Company strengthened the training of waste management personnel, waste material collection, storage and disposal personnel on national laws and regulations, relevant systems, operation procedures, emergency disposal measures and plans. Secondly, the Company signed the responsibility letter on environmental issues with key units to clarify the assessment contents and rewards and punishments, and organize assessment.

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

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

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III. Management on Energy Use

1. Energy conservation and consumption reduction

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

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

Statistics of total energy consumption during the production process of the Company in 2021 are summarized as follows:

Category	Total consumption
Electricity	13.74 million kWh
Gasoline	0 ton
Diesel oil	509 tons
Lubricating oil	91 tons
Water	289,175 m ³

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

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Statistics of total usage of packaging materials during the production process of the Company in 2021 are summarized as follows:

No.	Material Name	Model and Specification	Unit	Consumption
1	Wooden box for export	1100*950*950	piece	1,010
2	Ordinary carton	250mm × 150mm × 200mm	piece	800
3	Packaging plywood	12mm	square meter	5,289
4	Packaging plywood	18mm	square meter	5,762
5	Ink graffiti remover (ZEP)	WRITE AWAY	barrel	164
6	Scotch tape	60mm	roll	300
7	Tin strap	18mm*50KG	roll	20
8	Rustproof bag	1150 × 1150 × 1550	box	122
9	Steel nail row	ST-64	box	150
10	Woven bag with double inner membrane	120*152	piece	500
11	Composite vapor phase antirust protective film TL-024	1m × 100m	roll	80
12	Canvas guard	2400 × 1100 × 1100	piece	200
13	Canvas guard	300 × 100	piece	100
14	Ordinary carton	600 × 300 × 300	piece	500
15	Rust remover (ZEP)	147024 (3.78KG/barrel)	barrel	52
16	Long-acting anticorrosive coating (ZEP)	130Z/bottle	barrel	228
17	Powerful oil remover for aviation	200Z/bottle	barrel	24
18	Compressed carton	150 × 100 × 100	piece	1,000

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

2. Comprehensive management

In 2021, the Company's energy management was strictly in accordance with the requirements of relevant documents of CRCC and local governments, and timely submitted statements and summary reports to Guandu District Bureau of Statistics of Kunming and CRCC. At the same time, we accepted the irregular inquiries from Kunming City, Guandu District Economic and Trade Bureau/Statistics Bureau and Water Conservation Office. The Company actively organized the annual national energy-saving publicity week and national low-carbon day activities, prepared the activity summary report and submitted it to CRCC as required.

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According to the Notice of Energy Saving Control Objectives in the “14th Five-Year Plan” and the Management Measures for Energy Saving and Emission Reduction issued by the Company, the energy management office of the Company required all energy consuming units to report monthly energy consumption reports to monitor the energy consumption in real time. The Company inspected the energy consumption of each energy-consuming unit from time to time, severely punished the units with excessive energy consumption and those with poor energy saving results, and publicized it through the Company’s internal website for company-wide notification. The strict implementation of the system further improved the Company’s energy management, and changed the task performance from passive to active. The employees changed their ideas ideologically and proactively cooperated with the orderly rollout of energy-saving initiatives, laying a solid foundation for the Company to complete the energy-saving goal under the national “14th Five-Year Plan”.

3. *Management results*

(i) *Achievement of energy-saving indicators*

As of 31 December 2021, the Company’s comprehensive energy consumption was 2,559.46 tons of standard coal, and the comprehensive energy consumption was 0.011633 tons of standard coal/RMB10,000 output, representing a decrease of 21% as compared with the comprehensive energy consumption of 0.0147 tons of standard coal/RMB10,000 output in 2020 (base period), and a decrease of 19% from the goal of comprehensive energy consumption of 0.014288 tons of standard coal/RMB10,000 output set for 2021.

In 2021, the Company achieved the goal of comprehensive energy consumption of 0.014288 tons of standard coal/RMB10,000 output.

(ii) *Achievement of total carbon emission control target*

The Company’s total carbon emission control target for 2021 is 1,816.21 tons. As of 31 December 2021, the Company’s total carbon emission was 1,714.8 tons, after deducting 334.02 tons from photovoltaic power plants, the Company’s actual carbon emission was 1,380.78 tons, representing a decrease of 24% compared with the goal set for 2021.

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On 22 September 2020, China officially put forward the goal of achieving emission peak by 2030 and carbon neutrality by 2060 at the 75th UN General Assembly. According to the above-mentioned emission peak and carbon neutrality goal, the National Development and Reform Commission and the National Energy Administration issued the Opinions on Improving the System, Mechanism and Policy Measures of Green and Low-carbon Energy Transformation, proposing to improve the “double control” of energy consumption and establish the target system of non-fossil energy, insisting on giving priority to saving energy resources, strengthening the management of binding indicators of energy intensity reduction, effectively enhancing the flexibility of total energy consumption management, excluding newly introduced renewable energy and raw material energy consumption from total energy consumption control, reasonably determining the goal of energy intensity reduction in various regions and strengthening the integration of “double control” of energy consumption with emission peak and carbon neutrality goal.

The Company implemented the development concept of “lucid waters and lush mountains are invaluable assets” with practical actions, proactively cooperated with the national corporate action plan of achieving emission peak by 2030 and carbon neutrality by 2060, and prepared and issued the Notice of the Company’s “14th Five-Year Plan” Energy-saving Control Target. The greening rate of the Company’s land area reached 30%, and 9,070 trees with a crown of more than 5 meters were planted to effectively reduce carbon emissions. The Company won the honorary titles of “Kunming Garden Unit” and “Yunnan Garden Unit”.



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(iii) *Achievement of water efficiency target*

As of 31 December 2021, the Company consumed 47,300 tons of production water, and the water efficiency was 0.2 tons of production water/RMB10,000 output, reaching the water efficiency target of 0.3 tons of production water/RMB10,000 output set for 2021.

The Company keeps reinforcing energy management and continues to improve the management system of water use. In 2021, third parties were engaged for the continuous improvement in the balance of water in areas such as production areas. The Company has 3 sewage treatment stations, of which the daily processing capacity of the stations in district 44 of the Company headquarter in Kunming, Kunming Xishan branch station and Beijing Ruiweitong Company are 800 tons, 200 tons and 50 tons respectively. The sewage treatment stations carry out central treatment of the production wastewater and domestic sewage in the plant area. The effluent satisfies the water quality standards of first class A standard of the “Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant” (GB18918-2002) and “The Reuse of Urban Recycling Water – Water Quality Standard for Urban Miscellaneous Water Consumption” (GB/T18920-2002). The Company actively promoted the implementation of reuse of grey water, which was mainly for large-scale road maintenance machinery raining test, cleaning, dust reduction as well as greening, etc. As of 31 December 2021, a total of 194,393 m³ of grey water was used, and a reclaimed water utilization fund subsidy of RMB0.1276 million was received from the Kunming Municipal Water Conservation Office.

The Company made constant efforts to strengthen energy management and improve the water management system. During the reporting period, the Company invested approximately RMB50,000, and after the renovation of old water pipes in production premises and other areas, no leakage of water facilities was found. The tap water service conditions of the Company have reached the requirements of the national water standards, which has laid a solid foundation for future energy management of the Company.

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

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The Company is committed to developing energy-saving and environment-friendly industries and promoting the use of energy-saving products and clean energy. It taps into the geographical advantages and abundant solar energy resources in Kunming, and proactively introduces photovoltaic power generation projects. As of the end of August 2021 (the photovoltaic power station was shut down for maintenance in the fourth quarter), the Company had consumed 4,056,360 kWh of photovoltaic power in the reporting period, which saved the Company approximately RMB1.66 million, and the photovoltaic power consumed accounted for 30% of the total power consumption of the Company. Meanwhile, all the equipment used in the project is manufactured in China, which is of great significance to support the development of domestic photovoltaic power generation equipment industry.



The Company proactively participates in the market-oriented trading in Yunnan power market. In 2021, the Company's electricity purchased from the Yunnan power market was 12,680,785 kWh, which saved approximately RMB1.86 million compared with the catalogue electricity price.

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Meanwhile, the Company proactively promoted the technical transformation of road lighting in general manufacturing plants and factory areas, and invested RMB250,000 in 2021 to replace the traditional metal halide lamps (480W) with energy-saving LED lamps (200W), and the illumination totally met the acceptance standard. As of 31 December 2021, the Company had replaced more than 120 sets of LED lights, and installed 20 solar street lamps, which will continue to be promoted during the 14th Five-Year Plan period.



According to the requirements of relevant documents of Yunnan Provincial Committee of Industry and Information Technology, the Company's energy management office inspects the motors equipped for production equipment on an annual basis, and the motors included in the elimination list will be counted at the end of the year and listed as scrapped equipment for elimination. As of 31 December 2021, the Company invested a total of RMB2.62 million to purchase production equipment, which was mainly used to update and dispose mechanical and electrical equipment with high energy consumption with 75 sets of equipment scrapped, sealed and to be disposed of.

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While participating in the research and selection process of equipment, the energy management personnel of the Company follow the principle of prioritizing energy-saving equipment certified by the State, such as the newly purchased hydraulic comprehensive test bed and running test bed, adopting mechanical compensation power recovery technology, and circulating cooling water supply for cooling water to reduce water consumption. The process layout takes into the production process and material transportation, and strives to shorten the transportation distance. The equipment in the workshop is arranged according to the process flow, and the process route is reasonable and smooth, which can reduce the round-trip transportation of materials, improve work efficiency, reduce energy consumption and save energy. In order to further strengthen the energy-saving management of the Company and various energy-using units, we improve energy utilization efficiency, promote technological progress and optimize industrial structure.

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

PART VII COVID-19 PREVENTION AND CONTROL

In 2021, the Company paid close attention to the sudden outbreak of COVID-19 pandemic across regions, implemented dynamic supervision and timely carried out stage pandemic prevention and control measures according to the national and local anti-COVID-19 requirements. Based on the previous pandemic prevention and control requirements, the Company organized and formulated 12 targeted prevention and control documents, rapidly and effectively investigated into infection cases in the Company and responded with reasonableness, which eliminated the impact of the sudden outbreak of COVID-19 pandemic on the Company to the greatest extent.

The Company proactively integrated social resources, engaged hospital staff to the Company for vaccination, and organized employees to get vaccination for 5 times. 2,513 employees were vaccinated, with the vaccination rate of 98.62%. For those who have not been fully vaccinated or who choose not to be vaccinated, regular self-funded nucleic acid testing every two weeks and other control measures are taken.

The Company required employees who go on business trips to file with the Company before the trip and with local community immediately after the trip, and required visitors to leave records. In 2021, the Company recorded 2,274 filings for business trips and 322 filings from visitors.

The Company collects pandemic prevention information on a weekly basis to summarize the anti-pandemic condition during the week, solve unexpected events, and deploy the upcoming tasks for pandemic prevention. In 2021, the Company issued 175 anti-COVID-19 briefings.

In 2021, the Company did not record any confirmed or suspected COVID-19 cases among its domestic employees.

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (22) No. P01933

TO ALL SHAREHOLDERS OF CRCC HIGH-TECH EQUIPMENT CORPORATION LIMITED

I. OPINION

We have audited the accompanying financial statements of CRCC High-Tech Equipment Corporation Limited ("CRCC"), which comprise the consolidated and the Company's statements of financial position as at 31 December 2021, and the consolidated and the Company's statements of profit or loss and other comprehensive income, the consolidated and the Company's cash flow statements and the consolidated and the Company's statements of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements of CRCC have been prepared and present fairly, in all material respects, of the consolidated and the Company's financial position as of 31 December 2021, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of CRCC in accordance with the code of ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the code. 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 for the year of 2021. 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. We determine the followings are key audit matters in need of communication in our report.

AUDITOR'S REPORT

1. Goodwill impairment assessment

1.1 Description

As shown in Note V.14 to the Financial Statements, as at 31 December 2021, the management made a cumulative provision of RMB47,635,708.75 for impairment of goodwill arising from the business combination with an original cost of RMB91,368,175.03, resulting in net carrying amount of RMB43,732,466.28. As shown in Note III. 20, 21 and 25 to the financial statements, the management is required to conduct impairment test for goodwill arising from a business combination at least annually at the end of each year. The impairment test requires an estimate of the recoverable amount of the underlying asset group containing goodwill, i.e. the higher of the fair value of the underlying asset group less disposal costs and the present value of its projected future cash flows. In determining the present value of the projected future cash flows of the underlying asset group, the management needs to make proper forecast of the future cash flows of the underlying asset group and reasonably determine proper discount rate, which involves significant accounting estimates and judgments made by the management, while taking into account the importance of goodwill to the financial statements as a whole. Therefore, we consider the impairment of goodwill as a key audit matter.

1.2 Audit Response

The audit procedures that we performed in response to impairment assessment of goodwill mainly included:

- (1) Understand the internal control and evaluation process related to goodwill impairment test adopted by the management;
- (2) Involve internal valuation experts, and assess the reasonableness of the impairment model and discount rate used by the management of CRCCE in goodwill impairment test;
- (3) Challenge the key assumptions adopted by the management of CRCCE in predicting the future cash flows and the rationality of the judgment;
- (4) Verify the accuracy of calculation of goodwill impairment test model.

AUDITOR'S REPORT

IV. OTHER INFORMATION

The management of CRCCE is responsible for the other information. The other information comprises the information included in the 2021 annual report of CRCCE, but does not include the financial statements and our audit 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 this other information, we are required to report that fact. We have nothing to report in this regard.

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

The management of CRCCE is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable the 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 the ability of CRCCE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting 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 the financial reporting process of CRCCE.

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 opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

AUDITOR'S REPORT

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management' 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 the ability of CRCCE 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, to modify our 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, including the disclosures, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient 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 in our audit report.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of 2021 and are therefore 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.

Deloitte Touche Tohmatsu Certified Public Accountants LLP
Shanghai, China

Chinese Certified Public Accountant: Yin Lili
(Engagement Partner)
Chinese Certified Public Accountant: Li Bin
30 March 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

RMB

ASSETS	Note V	31 December 2021	31 December 2020
Current assets			
Cash and bank balances	1	1,178,533,467.98	1,708,335,768.84
Bills receivable	2	212,859,419.01	24,377,500.00
Receivables at FVTOCI	3	29,681,169.19	206,316,536.04
Trade receivables	4	2,049,473,797.45	1,808,132,938.89
Advances to suppliers	5	48,361,630.71	176,625,023.48
Other receivables	6	29,427,316.59	21,707,860.07
Inventories	7	2,218,239,921.60	1,448,021,930.28
Contract assets		18,929,596.95	2,594,424.55
Current portion of non-current assets	10	50,024,030.00	10,394,000.00
Other current assets	8	79,353,253.09	23,835,088.99
Total current assets		5,914,883,602.57	5,430,341,071.14
Non-current assets			
Other equity instrument investments	9	628,866,000.00	181,210,141.84
Long-term receivables	10	—	220,809,420.73
Fixed assets	11	1,192,502,910.49	808,513,316.13
Construction in progress	12	74,916,742.41	167,173,138.85
Intangible assets	13	389,560,996.78	405,845,957.42
Goodwill	14	43,732,466.28	67,132,466.28
Deferred tax assets	15	9,725,395.55	24,379,053.00
Other non-current assets		19,152,330.00	19,152,330.00
Total non-current assets		2,358,456,841.51	1,894,215,824.25
TOTAL ASSETS		8,273,340,444.08	7,324,556,895.39

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

RMB

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	31 December 2021	31 December 2020
Current liabilities			
Bills payable	16	1,030,117,754.13	760,571,374.89
Trade payables	17	827,700,341.89	662,085,036.64
Advances from customers		497,110.55	2,009,955.84
Contract liabilities	18	162,027,131.82	84,249,167.11
Employee benefits payable	19	16,184,797.66	15,142,700.73
Taxes payable	20	14,437,003.76	7,408,299.00
Other payables	21	271,159,367.99	330,271,019.07
Provisions	22	25,794,639.20	10,853,556.45
Other current liabilities		—	292,285.82
Total current liabilities		2,347,918,147.00	1,872,883,395.55
Deferred tax liabilities	15	43,902,584.01	—
Total non-current liabilities		43,902,584.01	—
Total liabilities		2,391,820,731.01	1,872,883,395.55
Shareholders' equity			
Share capital	23	1,519,884,000.00	1,519,884,000.00
Capital reserve	24	3,224,727,994.03	3,224,727,994.03
Other comprehensive income	25	478,299,284.33	98,829,224.68
Surplus reserve	26	125,629,773.06	119,814,594.37
Retained earnings	27	532,978,661.65	488,417,686.76
Total equity attributable to owners of the Company		5,881,519,713.07	5,451,673,499.84
Total shareholders' equity		5,881,519,713.07	5,451,673,499.84
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8,273,340,444.08	7,324,556,895.39

The accompanying notes form part of the financial statements

The financial statements from page 135 to page 290 have been signed by:

Legal representative: Liu Feixiang

CFO: Wang Shuchuan

Head of the Finance Department: Kong Deming

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

RMB

ITEM	Note V	2021	2020
Revenue	28	2,185,945,979.00	1,558,053,822.60
Less: Cost of sales	28	1,640,942,446.77	1,111,428,470.07
Taxes and surcharges		19,805,730.50	16,529,832.06
Selling and distribution expenses	29	112,597,861.12	96,275,955.83
General and administrative expenses	30	178,901,675.23	165,669,604.63
Research and development expenses	31	180,145,551.93	147,598,521.09
Finance costs	32	(25,801,562.98)	(24,910,586.05)
Including: Interest income		38,677,182.49	36,001,118.95
Add: Other income		22,831,535.35	4,639,814.12
Investment income		4,118,970.76	3,787,585.78
Impairment losses on assets	33	(25,242,409.21)	(9,240,946.37)
Credit impairment loss	34	(35,951,776.32)	(33,290,512.89)
Gains (losses) on disposal of assets		414,978.26	(91,236.56)
Operating profit		45,525,575.27	11,266,729.05
Add: Non-operating income		3,836,074.26	11,641,344.88
Less: Non-operating expenses		4,816,836.40	770,599.05
Profit before tax		44,544,813.13	22,137,474.88
Less: Income tax expenses	35	(5,831,340.45)	(19,247.90)
Net profit		50,376,153.58	22,156,722.78
Classified by the continuity of operation:			
Net profit from continuing operations		50,376,153.58	22,156,722.78
Net profit from discontinued operations		—	—
Classified by the ownership:			
Net profit attributable to owners of the Company		50,376,153.58	22,156,722.78

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

RMB

ITEM	Note V	2021	2020
Other comprehensive income, net of tax	25	379,470,059.65	21,768,567.52
Other comprehensive income attributable to owners of the Company, net of tax		379,470,059.65	21,768,567.52
Other comprehensive income not to be reclassified to profit or loss		380,507,479.44	17,232,903.94
1. Changes arising from re-measurement of defined benefit plan		—	(17,000.00)
2. Changes in fair value of other equity instrument investments		380,507,479.44	17,249,903.94
Other comprehensive income to be reclassified to profit or loss		(1,037,419.79)	4,535,663.58
1. Changes in fair value of receivables at FVTOCI		1,875,093.20	5,322,872.80
2. Exchange differences on translation of foreign operations		(2,912,512.99)	(787,209.22)
Total comprehensive income		429,846,213.23	43,925,290.30
Including:			
Total comprehensive income attributable to owners of the Company		429,846,213.23	43,925,290.30
Earnings per share:			
Basic earnings per share	36	0.03	0.01

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

RMB

ITEM	Note V	2021	2020
1. CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from the sale of goods or rendering of services		2,116,083,947.92	1,842,905,664.45
Refunds of tax		6,272,364.14	53,147.92
Cash received from other operating activities	37(1)	97,436,223.27	342,577,270.01
Subtotal of cash inflows from operating activities		2,219,792,535.33	2,185,536,082.38
Cash paid for goods and services		1,749,498,701.53	1,440,396,507.07
Cash paid to and on behalf of employees		529,901,697.62	422,714,593.24
Cash paid for all taxes		64,463,944.08	74,265,564.71
Cash paid for other operating activities	37(2)	283,837,148.94	253,719,633.36
Subtotal of cash outflows from operating activities		2,627,701,492.17	2,191,096,298.38
Net cash flows used in operating activities	38	(407,908,956.84)	(5,560,216.00)
2. CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from investment income		4,410,000.00	4,410,000.00
Net cash received from disposal of fixed assets, intangible assets and other long term assets		12,640,884.00	53,000.00
Subtotal of cash inflows from investing activities		17,050,884.00	4,463,000.00
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		136,041,623.25	62,897,939.41
Subtotal of cash outflows from investing activities		136,041,623.25	62,897,939.41
Net cash flows used in investing activities		(118,990,739.25)	(58,434,939.41)
3. CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash paid for distribution of dividends or profits and for interest expenses		—	60,404,854.53
Subtotal of cash outflows from financing activities		—	60,404,854.53
Net cash flows generated from financing activities		—	(60,404,854.53)
4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(2,902,604.77)	(37,584.68)
5. NET DECREASE IN CASH AND CASH EQUIVALENTS		(529,802,300.86)	(124,437,594.62)
Add: Opening balance of cash and cash equivalents	38	1,708,335,768.84	1,832,773,363.46
6. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	38	1,178,533,467.98	1,708,335,768.84

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

RMB

ITEM	2021						Total equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	
I. Balance at the end of prior year	1,519,884,000.00	3,224,727,994.03	98,829,224.68	-	119,814,594.37	488,417,686.76	5,451,673,499.84
II. Movements during the year	-	-	379,470,059.65	-	5,815,178.69	44,560,974.89	429,846,213.23
(I) Total comprehensive income	-	-	379,470,059.65	-	-	50,376,153.58	429,846,213.23
(II) Profit distribution	-	-	-	-	5,815,178.69	(5,815,178.69)	-
1. Appropriation to statutory surplus reserve	-	-	-	-	5,815,178.69	(5,815,178.69)	-
2. Distribution to shareholders (Note V.27)	-	-	-	-	-	-	-
(III) Special reserve	-	-	-	-	-	-	-
1. Appropriated in the year	-	-	-	8,811,613.20	-	-	8,811,613.20
2. Used in the year	-	-	-	(8,811,613.20)	-	-	(8,811,613.20)
III. Balance at the end of the year	1,519,884,000.00	3,224,727,994.03	478,299,284.33	-	125,629,773.06	532,978,661.65	5,881,519,713.07

RMB

ITEM	2020						Total equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	
I. Balance at the end of prior year	1,519,884,000.00	3,224,727,994.03	77,060,657.16	-	110,814,059.60	536,056,858.75	5,468,543,569.54
II. Movements during the year	-	-	21,768,567.52	-	9,000,534.77	(47,639,171.99)	(16,870,069.70)
(I) Total comprehensive income	-	-	21,768,567.52	-	-	22,156,722.78	43,925,290.30
(II) Profit distribution	-	-	-	-	9,000,534.77	(69,795,894.77)	(60,795,360.00)
1. Appropriation to statutory surplus reserve	-	-	-	-	9,000,534.77	(9,000,534.77)	-
2. Distribution to shareholders (Note V.27)	-	-	-	-	-	(60,795,360.00)	(60,795,360.00)
(III) Special reserve	-	-	-	-	-	-	-
1. Appropriated in the year	-	-	-	7,750,951.95	-	-	7,750,951.95
2. Used in the year	-	-	-	(7,750,951.95)	-	-	(7,750,951.95)
III. Balance at the end of the year	1,519,884,000.00	3,224,727,994.03	98,829,224.68	-	119,814,594.37	488,417,686.76	5,451,673,499.84

THE COMPANY'S STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

RMB

ASSETS	Note XIII	31 December 2021	31 December 2020
Current assets			
Cash and bank balances		1,103,258,024.58	1,599,972,445.98
Bills receivable		212,361,919.01	23,880,000.00
Receivables at FVTOCI		28,031,169.19	163,017,176.23
Trade receivables	1	1,927,747,019.69	1,646,943,891.52
Advances to suppliers		46,389,028.16	173,740,917.78
Dividend receivables		–	71,829,173.28
Other receivables	2	225,947,343.16	220,496,253.10
Contract assets		12,379,788.46	–
Inventories	3	2,027,163,908.66	1,130,725,849.57
Current portion of non-current assets	Note V. 10	50,024,030.00	10,394,000.00
Other current assets		78,290,668.22	23,479,837.77
Total current assets		5,711,592,899.13	5,064,479,545.23
Non-current assets			
Long-term equity investments	4	381,876,012.32	381,876,012.32
Other equity instrument investments	Note V. 9	628,866,000.00	181,210,141.84
Long-term receivables		–	220,809,420.73
Fixed assets	5	1,076,164,001.61	685,676,490.82
Construction in progress	Note V. 12	74,916,742.41	167,173,138.85
Intangible assets		229,729,963.32	240,616,829.62
Deferred tax assets		–	16,784,173.97
Other non-current assets		19,152,330.00	19,152,330.00
Total non-current assets		2,410,705,049.66	1,913,298,538.15
TOTAL ASSETS		8,122,297,948.79	6,977,778,083.38

THE COMPANY'S STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

RMB

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XIII	31 December 2021	31 December 2020
Current liabilities			
Bills payable		1,030,117,754.13	702,097,741.46
Trade payables	6	823,400,963.12	522,984,576.56
Advances from customers		330,443.89	1,343,289.18
Contract liabilities		144,862,765.95	72,054,537.98
Employee benefits payable		11,378,415.71	10,365,760.41
Taxes payable		3,794,650.56	1,336,879.52
Other payables		268,398,082.15	326,540,791.69
Provisions		23,558,577.73	8,816,993.41
Total current liabilities		2,305,841,653.24	1,645,540,570.21
Deferred tax liabilities		43,902,584.01	—
Total non-current liabilities		43,902,584.01	—
Total liabilities		2,349,744,237.25	1,645,540,570.21
Shareholders' equity			
Share capital	Note V. 23	1,519,884,000.00	1,519,884,000.00
Capital reserve		3,271,445,482.07	3,271,445,482.07
Other comprehensive income		479,061,402.92	96,896,991.41
Surplus reserve	Note V. 26	125,629,773.06	119,814,594.37
Retained earnings		376,533,053.49	324,196,445.32
Total shareholders' equity		5,772,553,711.54	5,332,237,513.17
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8,122,297,948.79	6,977,778,083.38

THE COMPANY'S STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

RMB

ITEM	Note XIII	2021	2020
Revenue	7	2,041,646,093.49	1,433,177,189.03
Less: Cost of sales	7	1,575,671,963.78	1,121,100,120.09
Taxes and surcharges		15,617,821.42	13,704,535.01
Selling and distribution expenses		100,442,020.59	76,815,507.64
General and administrative expenses		140,519,617.71	123,449,764.96
Research and development expenses		170,247,343.11	137,465,549.50
Finance costs		(26,771,122.91)	(24,525,519.65)
Including: Interest income		38,425,171.01	35,093,188.31
Add: Other income		22,801,202.50	4,424,274.77
Investment income		4,118,970.76	107,913,849.72
Impairment losses on assets		(1,216,175.53)	(1,022,722.97)
Credit impairment loss		(37,030,194.15)	(24,065,177.03)
Gains (losses) on disposal of assets		414,978.26	(91,236.56)
Operating profit		55,007,231.63	72,326,219.41
Add: Non-operating income		828,590.82	9,458,527.71
Less: Non-operating expenses		4,438,056.11	284,602.67
Profit before tax		51,397,766.34	81,500,144.45
Less: Income tax expenses		(6,754,020.52)	(8,505,203.21)
Net profit		58,151,786.86	90,005,347.66
Classified by the continuity of operation:			
Net profit from continuing operations		58,151,786.86	90,005,347.66
Net profit from discontinued operations		—	—
Other comprehensive income, net of tax		382,164,411.51	22,657,913.94
(I) Other comprehensive income not to be reclassified to profit or loss		380,507,479.44	17,232,903.94
1. Changes in net liabilities arising from the re-measurement of defined benefit plan		—	(17,000.00)
2. Changes in fair value of other equity instrument investments		380,507,479.44	17,249,903.94
(II) Other comprehensive income to be reclassified to profit or loss		1,656,932.07	5,425,010.00
1. Changes in fair value of receivables at FVTOCI		1,656,932.07	5,425,010.00
Total comprehensive income		440,316,198.37	112,663,261.60

THE COMPANY'S STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

RMB

ITEM	Note XIII	2021	2020
1. CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from the sale of goods or rendering of services		1,830,946,243.11	1,521,714,221.40
Refunds of tax		6,265,617.23	38,762.51
Cash received from other operating activities		109,819,914.97	349,111,966.72
Subtotal of cash inflows from operating activities		1,947,031,775.31	1,870,864,950.63
Cash paid for goods and services		1,637,111,193.74	1,226,778,245.71
Cash paid to and on behalf of employees		407,658,134.18	309,794,052.88
Cash paid for all taxes		25,249,971.54	28,683,770.97
Cash paid for other operating activities		267,081,075.89	266,193,145.58
Subtotal of cash outflows from operating activities		2,337,100,375.35	1,831,449,215.14
Net cash flows generated from operating activities	8	(390,068,600.04)	39,415,735.49
2. CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from disposal of investments		—	10,973,512.77
Cash received from investment income		18,967,089.34	4,410,000.00
Cash received from disposal of fixed assets, intangible assets and other long-term assets		12,564,668.00	53,000.00
Subtotal of cash inflows from investing activities		31,531,757.34	15,436,512.77
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		135,760,636.03	61,340,945.51
Subtotal of cash outflows from investing activities		135,760,636.03	61,340,945.51
Net cash flows generated from investing activities		(104,228,878.69)	(45,904,432.74)
3. CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash paid for distribution of dividends or profits and for interest expenses		—	60,404,854.53
Subtotal of cash outflows from financing activities		—	60,404,854.53
Net cash flows used in financing activities		—	(60,404,854.53)
4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(2,416,942.67)	(48,760.03)
5. NET DECREASE IN CASH AND CASH EQUIVALENTS		(496,714,421.40)	(66,942,311.81)
Add: Opening balance of cash and cash equivalents	8	1,599,972,445.98	1,666,914,757.79
6. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	8	1,103,258,024.58	1,599,972,445.98

THE COMPANY'S STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

RMB

ITEM	2021						
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
I. Balance at the end of prior year	1,519,884,000.00	3,271,445,482.07	96,896,991.41	-	119,814,594.37	324,196,445.32	5,332,237,513.17
II. Movements during the year	-	-	382,164,411.51	-	5,815,178.69	52,336,608.17	440,316,198.37
(I) Total comprehensive income	-	-	382,164,411.51	-	-	58,151,786.86	440,316,198.37
(II) Profit distribution	-	-	-	-	5,815,178.69	(5,815,178.69)	-
1. Appropriation to statutory surplus reserve	-	-	-	-	5,815,178.69	(5,815,178.69)	-
2. Distribution to shareholders (Note V.27)	-	-	-	-	-	-	-
(III) Special reserve	-	-	-	-	-	-	-
1. Appropriated in the year	-	-	-	5,566,397.55	-	-	5,566,397.55
2. Used in the year	-	-	-	(5,566,397.55)	-	-	(5,566,397.55)
III. Balance at the end of the year	1,519,884,000.00	3,271,445,482.07	479,061,402.92	-	125,629,773.06	376,533,053.49	5,772,553,711.54

RMB

ITEM	2020						
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
I. Balance at the end of prior year	1,519,884,000.00	3,271,445,482.07	74,239,077.47	-	110,814,059.60	303,986,992.43	5,280,369,611.57
II. Movements during the year	-	-	22,657,913.94	-	9,000,534.77	20,209,452.89	51,867,901.60
(I) Total comprehensive income	-	-	22,657,913.94	-	-	90,005,347.66	112,663,261.60
(II) Profit distribution	-	-	-	-	9,000,534.77	(69,795,894.77)	(60,795,360.00)
1. Appropriation to statutory surplus reserve	-	-	-	-	9,000,534.77	(9,000,534.77)	-
2. Distribution to shareholders (Note V.27)	-	-	-	-	-	(60,795,360.00)	(60,795,360.00)
(III) Special reserve	-	-	-	-	-	-	-
1. Appropriated in the year	-	-	-	4,085,665.84	-	-	4,085,665.84
2. Used in the year	-	-	-	(4,085,665.84)	-	-	(4,085,665.84)
III. Balance at the end of the year	1,519,884,000.00	3,271,445,482.07	96,896,991.41	-	119,814,594.37	324,196,445.32	5,332,237,513.17

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

I. CORPORATE INFORMATION

CRCC High-Tech Equipment Corporation Limited (Original name: “Kunming China Railway Large Maintenance Machinery Group Co., Ltd.”, the “**Company**”) is a joint stock limited company with limited liability registered in Kunming in the People’s Republic of China (the “**PRC**” or “**Mainland 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 in Hong Kong and was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”). The registered address of the Company is located at No. 384 Yangfangwang, Jinma Town, Guandu District, Kunming, Yunnan Province, the PRC.

The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) mainly consist of repair and manufacturing of large railway track maintenance machinery, provision of annual inspection services and extended services for track maintenance machinery; production, manufacturing and sales of accessories, repair of components, and production, manufacturing and sales of small large railway track maintenance machinery; mechanized maintenance and repair services for railway line; casting manufacturing and machining manufacturing; production and processing of railway materials, equipment and accessories, sales, import and export business of railway machinery, equipment and accessories, construction materials, hardware and electric products, mechanical and electronic equipment.

The Company’s parent and ultimate holding company are China Railway Construction Corporation Limited (“**CRCC**”) and China Railway Construction Corporation, a company registered in PRC respectively.

These financial statements were approved and authorised for issue by the Board of Directors of the Company on 30 March 2022.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Basis of preparation

The Group has implemented the Accounting Standards for Business Enterprises and related regulations promulgated by the Ministry of Finance (collectively referred to as “**Accounting Standards for Business Enterprises**”). These financial statements have been prepared in accordance with Reporting Rules for the Disclosure of Information of Companies Offering Public Securities No. 15 – General Requirements for Financial Reporting (2014 Amendment). In addition, the Group also disclosed relevant financial information in accordance with the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange. The financial statements have been prepared by the Group on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

Basis of preparation (Continued)

In accordance with the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong issued by the Hong Kong Stock Exchange in December 2010, the corresponding amendments to the Listing Rules, as well as the relevant documents issued by the Ministry of Finance and China Securities Regulatory Commission, the Company adopted the China Accounting Standards for Business Enterprises for the preparation of financial statements from the year of 2021 with the approval of the Company's general meeting of shareholders, taking into account the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange in preparing such financial statements. The opening net assets and net profit for the comparative periods presented in these financial statements are in line with those stated in the financial statements of the previous year prepared under the International Financial Reporting Standards.

Basis of accounting and principle of measurement

The Group has adopted accrual basis of accounting. The financial statements have been presented under the historical cost, except for certain financial instruments which have been measured at fair value. If the assets are impaired, the corresponding provisions for impairment shall be made according to relevant requirements.

Under the historical cost method, assets were measured at the amount of cash or cash equivalents paid or the fair value of the consideration given at the time of purchase. Liabilities were measured at the amount of proceeds or assets actually received due to a present obligation assumed, or the contractual amount of the present obligation assumed, or the amount of cash or cash equivalents expected to be paid to settle the liabilities in the ordinary course of business.

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. Regardless of whether the fair value is observable or estimated using valuation technique, fair value measurement and/or disclosure in these financial statements are determined on such a basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

Basis of accounting and principle of measurement (Continued)

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that they can access at the measurement date.
- Level 2 inputs are inputs, other than inputs within level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present fairly and fully the consolidated and Company's financial position as at 31 December 2021 and the consolidated and Company's financial performance, changes in equity and cash flows for the year ended 31 December 2021 in accordance with Accounting Standards for Business Enterprises.

2. Accounting period

The accounting year of the Group is from 1 January to 31 December of each calendar year.

3. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The overseas subsidiaries of the Company may determine their own functional currencies based on their specific economic environments. The Group adopts RMB to prepare its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4. Business combinations

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

4.1 *Business combinations involving entities under common control*

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the acquirer, while the other entity participating in the combination is a party being acquired. The combination date is the date on which the acquirer effectively obtains control of the party being acquired.

Assets and liabilities (including the goodwill recognised by the ultimate controlling party in acquisition of the acquiree) that are obtained by the acquirer in a business combination involving entities under common control shall be measured at their carrying amounts in the consolidated financial statements at the combination date as recorded by the ultimate controlling party. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of the shares issued as consideration) is adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss when they are incurred.

4.2 *Business combinations involving entities not under common control*

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination involving entities not under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while the other entity participating in the combination is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4. Business combinations (Continued)

4.2 Business combinations involving entities not under common control (Continued)

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination involving entities not under common control shall be measured at their fair values on the acquisition date.

Goodwill is measured at cost being the excess of the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree over the acquirer's interest in the fair value of the acquiree's net identifiable assets. Goodwill is subsequently measured at cost deducted by accumulated provision. If the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree is lower than the acquirer's interest in the fair value of the acquiree's net identifiable assets, the difference is, after reassessment of the fair value of each identifiable asset, liability and contingent liability acquired from the acquiree and the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree, recognised in profit or loss.

If either the fair values of identifiable assets, liabilities and contingent liabilities acquired in a combination or the cost of business combination can be determined only provisionally by the end of the year in which the business combination was effected, the acquirer recognises and measures the combination using those provisional values. Any adjustments to those provisional values within twelve months after the acquisition date are treated as if they had been recognised and measured on the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

5. Preparation of consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control. Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes of the above elements of the definition of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate. For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the date of acquisition (the date when the control is obtained) are included in the consolidated income statement and consolidated cash flow statement, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

The effect of all intra-group transactions between the Company and its subsidiaries and among subsidiaries on the consolidated financial statements are eliminated on consolidation.

6. Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

7. Foreign currency transactions and foreign currency translations

Foreign currency transactions are initially recorded using the functional currency spot exchange rate ruling at the dates of the transactions. Monetary items denominated in foreign currencies are translated into functional currencies at the spot exchange rate ruling at the balance sheet date. Exchange differences arising from the difference between the spot exchange rate on that day and on the date of initial recognition or the previous balance sheet date are recognised in profit or loss, except those related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation for the purpose of acquisition, construction or production of qualifying assets.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currencies using the foreign spot exchange rates at the transaction dates and do not change the amounts of functional currency. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange spot rate at the date the fair value is determined; the exchange differences are recognised in profit or loss or other comprehensive income depending on the nature of the non-monetary items.

For foreign operations, the Group translates functional currencies of overseas financial statements into RMB financial statements. All assets and liabilities are translated at the spot exchange rates ruling at the balance sheet date; the shareholders' equity, with the exception of retained earnings, is translated at the spot exchange rates ruling at the transaction dates; all items in the statement of profit or loss and other comprehensive income and items reflect amounts of profit distribution are translated at the spot exchange rates at the transaction dates. The undistributed profit at the beginning of the year equals the translated undistributed profit of the previous year; the undistributed profit at the end of the year is calculated according to the translated profit distribution items. Exchange fluctuations arising from the translations mentioned above are recognised as other comprehensive income. When an overseas business is disposed of, the component of other comprehensive income related to the overseas business will be transferred to profit or loss in the same period.

Foreign currency cash flows and cash flows of overseas subsidiaries are translated at the spot exchange rates ruling at the dates of the cash flows. The effect of changes in exchange rates on cash and cash equivalents are presented as a reconciled item separately in the statement of cash flows.

8. Financial instruments

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument. For the financial assets that are purchased and sold under regular ways, the assets to be acquired and the liabilities to be assumed are recognised on the trade days, and the assets sold are derecognised on the trade days.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Financial instruments (Continued)

On initial recognition, financial assets and financial liabilities are recognised at fair value. For financial assets and financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss; transaction costs relating to other categories of financial assets and financial liabilities are included in the value initially recognised. For trade receivables initially recognised that do not contain a significant financing component or a financing component included in the contracts less than one year which are not considered, which are within the scope of Accounting Standard for Business Enterprises No. 14 – Revenue (hereinafter referred to as “**Revenue Standard**”), transaction prices defined in the standards shall be adopted on initial recognition.

The effective interest method is a method that is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation of the interest income or interest expense in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates future cash flows by considering all the contractual terms of the financial asset or financial liability (for example, prepayment, extension, call option or similar options) but shall not consider the expected credit losses.

The amortised cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognised net of principal repaid, plus or less the cumulative amortised amount arising from amortisation of the difference between the amount initially recognised and the amount at the maturity date using the effective interest method, net of cumulative loss allowance (only applicable to financial assets).

8.1 Classification and measurement of financial assets

Subsequent to initial recognition, the Group’s financial assets of various categories are subsequently measured at amortised cost and at fair value through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Financial instruments (Continued)

8.1 Classification and measurement of financial assets (Continued)

8.1.1 Financial assets classified as measured at amortised cost

If 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, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial assets measured at amortised cost. The Group's financial assets measured at amortised cost including cash and bank balances, bills receivable, trade receivables, other receivables, long-term receivables and current portion of non-current assets.

The above financial assets are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from impairment or derecognition is recognised in profit or loss.

Interest income from financial assets classified as measured at amortised cost is recognised based on the effective interest method. The Group calculates interest income by applying the effective interest rate to the gross carrying amount of the financial asset, unless when such financial asset subsequently becomes credit-impaired, the Group subsequently recognises their interest income based on amortised costs and effective interest rate of such financial assets. If the credit impairment no longer exists due to an improvement in credit risk of the financial instruments subsequently and such improvement is relevant to some events occurred after applying the policies mentioned above, the Group recognises interest income based on applying effective interest rate to gross carrying amount of the financial assets.

8.1.2 Financial assets classified as at fair value through other comprehensive income (FVTOCI)

If 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; and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, such asset is classified into financial assets measured at FVTOCI. Financial assets classified as at FVTOCI are presented by the Group as receivables at FVTOCI.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Financial instruments (Continued)

8.1 Classification and measurement of financial assets (Continued)

8.1.2 Financial assets classified as at fair value through other comprehensive income (FVTOCI) (Continued)

Loss/gain on impairment and interest income based on effective interest rate related to financial assets classified as at FVTOCI are recognised in profit or loss. Except for the above circumstances, changes in fair value of such financial assets are all recognised in other comprehensive income. Such financial assets' changes that are recognised in profit or loss in each period equal to their changes that are recognised in profit or loss in each period as they are measured at amortised cost from acquisition date. Upon derecognition of the financial assets, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in profit or loss.

8.1.3 Financial assets designated as at FVTOCI

On initial recognition, the Group may irrevocably designate non-trading equity instruments as financial assets at FVTOCI on an individual basis. Financial assets designated as at FVTOCI are presented by the Group as other equity instrument investments in financial statements.

The fair value change of such financial asset is recognised in other comprehensive income. Upon derecognition of the financial asset, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings. During the period for which the Group holds the investments in equity instruments, dividend income is recognised in profit or loss for the period when the Group has right to collect dividend, the economic benefits associated with dividend will probably flow into the Group and the amount of dividend can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Financial instruments (Continued)

8.2 Impairment of financial assets and other items

The Group recognises loss allowance for financial assets classified as measured at amortised cost, financial assets classified as at FVTOCI, and contract assets based on expected credit losses (“ECL”).

The Group measures loss allowance for trade receivables and contract assets arising from transactions regulated by Revenue Standard based on the amount of full lifetime ECL.

For other financial assets, at each balance sheet date, the Group assesses changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group recognises loss allowance based on their full lifetime ECL. If the credit risk of the above financial instruments has not increased significantly since initial recognition, the Group recognises loss allowance based on 12-month ECL of the financial instrument. The increase or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment. Except for financial assets classified as at FVTOCI, credit loss allowance reduces the gross carrying amount of financial assets. For financial assets classified as at FVTOCI, the Group recognises credit loss allowance in other comprehensive income, without reducing the carrying amount of such financial assets in the statement of financial position.

The Group measured loss allowance at the full lifetime ECL of the financial instruments in the prior accounting period. However, at each balance sheet date, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss allowance for the financial instrument at 12-month ECL at each balance sheet date. Relevant reversal of loss allowance is included in profit or loss for the current period as gain on impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Financial instruments (Continued)

8.2 Impairment of financial assets and other items (Continued)

8.2.1 Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group uses available, reasonable and supportable forward looking information, to compare the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- (1) Whether the actual or expected operating results of the debtor have changed significantly;
- (2) Whether supervisory, economic or technical environment for the debtor has significant detrimental changes;
- (3) Whether value of collateral against debt mortgage or guarantee/credit enhancement provided by a third party has changed significantly. It is expected that the aforesaid changes are economic motives that will lower the debtor's repayment based on contractual stipulation or have an impact on probability of default;
- (4) Whether the economic motives that is expected to lower the debtor's repayment based on contractual stipulation has changed significantly;
- (5) Whether the debtor's expected performance and repayment activities have changed significantly;

At the balance sheet date, the Group assumes that credit risk of the financial instrument has not increased significantly since initial recognition when the Group determines that the financial instrument is only exposed to low credit risk. A financial instrument is determined to have low credit risk if it has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Financial instruments (Continued)

8.2 Impairment of financial assets and other items (Continued)

8.2.2 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:

- (1) significant financial difficulty of the issuer or the debtor;
- (2) the debtor breaches the contract; such as default or overdue on interest or principal payment;
- (3) the creditor, for economic or contractual reasons relating to the financial difficulties of the debtor, granted to the debtor a concession that the creditor would not otherwise consider;
- (4) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Based on the Group's internal credit risk management, the Group considers an event of default occurs when information proposed internally or obtained externally indicates that the debtor is unable to pay its creditors (including the Group) in full (without taking into account any guarantees obtained by the Group).

8.2.3 Determination of ECL

For trade receivables and contract assets, the Group individually assesses credit losses for those individually significant and credit-impaired and uses provision matrix to assess credit losses for the remaining. For other financial assets measured at amortised cost and financial assets measured at FVTOCI, the Group individually assesses credit losses for those individually significant and assesses credit losses for the remaining on a portfolio basis. The Group classifies financial instruments into different groups based on shared credit risk characteristics. Shared credit risk characteristics include: type of financial instruments, credit risk rating, remaining contractual maturity and industry of debtor, etc.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Financial instruments (Continued)

8.2 Impairment of financial assets and other items (Continued)

8.2.3 Determination of ECL (Continued)

ECL of financial assets is recognised based on the present value of difference between the contractual cash flows receivable and the cash flows that the Group expects to receive. For credit-impaired financial assets at the balance sheet date, credit loss is difference between the gross carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

The Group's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognised by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance sheet date.

8.2.4 Reduction in financial assets

The Group directly reduces the gross carrying amount of financial assets when ceasing to reasonably expect that the contractual cash flow of such financial assets may be fully or partially recoverable. Such reduction comprises derecognition of relevant financial assets.

8.3 Transfer of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Financial instruments (Continued)

8.3 *Transfer of financial assets (Continued)*

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between the carrying amount of the financial asset transferred and the consideration received from the transfer and the accumulated changes in fair value initially recorded in other comprehensive income is recognised in profit or loss. If the Group transfers a financial asset that belongs to non-trading equity instrument investments designated as at FVTOCI, the cumulative gains or losses previously recognised in other comprehensive income allocated to the part derecognised are transferred and included in retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group continues to recognise the transferred financial asset in its entirety and recognises the consideration received as a financial liability.

8.4 *Classification of financial liabilities and equity instruments*

The Group's financial instruments or their components are, on initial recognition, classified into financial liabilities or equity instruments on the basis of contractual terms for issuance and the economic substance reflected by such terms and in combination with definitions of financial liability and equity instruments, instead of only on the basis of the legal form.

8.4.1 *Classification and measurement of financial liabilities*

The financial liabilities of the Group are classified as other financial liabilities on initial recognition. Other financial liabilities of the Group are subsequently measured at amortised cost, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

8.4.2 *Derecognition of financial liabilities*

The Group derecognises a financial liability (or part of it) when the underlying present obligation (or part of it) is discharged. An agreement between the Group (the debtor) and the creditor to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Financial instruments (Continued)

8.4 Classification of financial liabilities and equity instruments (Continued)

8.4.3 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognised as changes of equity. Change of fair value of equity instruments is not recognised by the Group. Transaction costs related to equity transactions are deducted from equity. The Group recognises the distribution to holders of the equity instruments as distribution of profits, dividends paid do not affect total amount of shareholders' equity.

8.5 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the statement of financial position. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the statement of financial position and shall not be offset.

9. Inventories

The Group's inventories mainly include raw materials, works in progress, finished goods, goods in transit and materials in transit, etc.. Inventories are initially measured at cost, which comprises purchase costs, processing costs and other expenses incurred in bringing the inventories to their current location and condition.

The actual cost of inventories upon delivery is calculated using the weighted average method.

At the balance sheet date, inventories shall be measured at the lower of cost and net realisable value. If the cost is in excess of amounts expected to be realised from their sale or use, provision for inventories is recognised in the profit or loss. When the circumstances that previously caused inventories to be written down below cost no longer exist and the net realisable value is higher than the carrying amount, the original amount of the write-down is reversed and charged to the profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Inventories (Continued)

Net realisable value is the estimated selling price under normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes. Provision is considered on a category basis for inventories in large quantity and with relatively low unit prices and on an individual basis for all other inventories.

Inventories are accounted for using the perpetual inventory system.

10. Long-term equity investments

10.1 Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree on the date of combination in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings.

The long-term equity investments acquired through a business combination not involving enterprises under common control will be used as the initial investment cost of long-term equity investments according to the combination cost on the purchase date.

The intermediary fees incurred by the absorbing party or acquirer such as audit, legal, valuation and consulting fee, etc. and other related administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The long-term equity investments acquired other than through a business combination is initially measured at cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Long-term equity investments (Continued)

10.2 Subsequent measurement and recognition of profit or loss

Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

11. Fixed assets

A fixed asset is a tangible asset whose useful life exceeds one accounting year and which is held for production of goods, rendering services, offering leases or operation and management. A fixed asset is recognised only when the economic benefits associated with the asset will probably flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditure shall be recognised in profit or loss for the period in which it is incurred.

Fixed assets are initially measured at cost. The purchase cost of a fixed asset comprises its purchase price, related taxes and any directly attributable expenditure for bringing the asset to its working condition for its intended use, such as transportation costs and installation expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Fixed assets (Continued)

The units of production method is adopted for the depreciation of the large-scaled construction equipment. Other fixed assets shall be depreciated on straight-line basis over their useful life from the month after they are brought to working condition for the intended use. For fixed assets depreciated with the straight-line method, the useful lives, estimated residual value rates and annual depreciation rates by category are as follows:

Category	Estimated residual value rates	Useful lives	Annual depreciation rates
Buildings and structures	5%	35 years	2.71%
Machinery	5%	10-20 years	4.75%-9.50%
Vehicles	5%	5 years	19.00%
Production equipment	5%	5-10 years	9.50%-19.00%
Measuring and testing equipment	5%	5 years	19.00%
Others	5%	3-5 years	19.00%-31.67%

Estimated net residual value is the amount that the Group would currently obtain from disposal of fixed asset after deducting the estimated costs of disposal, assuming such asset is out of its expected useful life and in the expected condition of ending its useful life.

A fixed asset is derecognised on disposal or when no economic benefits are expected from its use or disposal. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the book value and relevant taxes is included in profit or loss.

The Group shall review the useful life, estimated net residual value and the depreciation method of a fixed asset at least at the end of each year, and account for any change as a change in accounting estimate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Construction in progress

Construction in progress is recognised based on the actual construction expenditures incurred, including all expenditures necessarily incurred for construction projects and other related expenditures during the construction period. A construction in progress is not depreciated and is transferred to fixed assets when it is ready for its intended use.

13. Intangible assets

The Group's intangible assets include land use rights, software use rights, etc.

An intangible asset shall be recognised only when it is probable that the related economic benefits will flow to the Group and the costs of which can be measured reliably. Intangible assets are measured initially at cost.

The useful lives of intangible assets are assessed based on estimated economic benefit periods.

The Group accounts for its land use rights as intangible assets. Buildings, such as plants that are developed and constructed by the Group, and relevant land use rights and buildings, are accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings acquired are allocated between the land use rights and the buildings; if they cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets.

Land use rights of the Group are amortised on the straight-line basis according to the useful lives approved in the obtained land use certificates. Software use rights are usually amortised based on the estimated useful life of 2 years.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at least at each year end and makes adjustment if necessary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

14. R&D Expenditures

The Group divides the expenditure of internal R&D project into research stage expenditure and development stage expenditure. The research stage expenditure will be recorded into the profit and loss for the current period when incurred. Expenditures in the development phase may only be capitalised if the following conditions are satisfied simultaneously: it is technically feasible to complete the intangible asset and make it usable and marketable; it is intended to complete and use or sell the intangible asset; the usefulness of the intangible asset can be proved by its method to generate economic benefit, including the fact that there is market for the product manufactured using the intangible asset, there is market for the intangible asset itself, or the intangible asset will be used internally; there is sufficient technical, financial resource and other resource support to complete the development of the intangible asset, and there is the ability to use or sell the intangible asset; and the expenditures attributable to the development stage of the intangible asset can be reliably measured. Development expenses not satisfying all above conditions are recognised in profit or loss of the period as incurred.

15. Provisions

An obligation related to a contingency in respect of product quality assurance shall be recognised by the Group as a provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation;
- (3) a reliable estimate can be made of the amount of the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with a comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at each balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

16. Revenue recognition

The revenue of the Group is mainly generated from business types as follows:

- Business of sales of mechanical equipment: principally including the sales of large railway track maintenance machines;
- Business of maintenance services of railway track maintenance machines: principally including the maintenance of large railway track maintenance machines;
- Business of sales of accessories: principally including the sales of parts and component of large railway track maintenance machines;
- Business of railway line maintenance services: principally including the railway line maintenance services;
- Business of mechanical design services: principally including the design services of rail vehicles.

When (or as) a performance obligation in a contract is satisfied, i.e., when (or as) the customer obtains control of relevant goods or services, the revenue is recognised at the transaction price allocated to the performance obligation. A performance obligation refers to the commitment of the Group to transfer the goods or services that can be clearly distinguished to the customer in the contract. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts that the Group is expected to refund to a customer.

The Group assesses a contract at contract inception, identifies each individual performance obligation included in the contract, and determines whether the Group satisfies the performance obligation over time or at a point in time. Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met: (1) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (2) the customer can control the goods under construction of the Group during the performance of the contract; or (3) the Group's performance does not create an asset with an alternative use to the Group and the Group has the right to receive payments for the portion of the performance that has been completed to date. Otherwise, revenue is recognised at a point in time when the customer obtains control of the relevant goods or services.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

16. Revenue recognition (Continued)

For the businesses of sales of mechanical equipment, maintenance services of railway track maintenance machines and sales of accessories, the revenue is recognised when the customer obtains control of the relevant goods or services. Obtaining control of the relevant goods or services means being able to dominate the use of the good or the provision of the service and obtains substantially all of its economic benefits.

For the railway line maintenance services and mechanical design services, the Group completes satisfaction of the relevant performance obligations over time and the revenue is recognised during the contract period based on the performance progress. The Group determines progress of performance in respect of the railway line maintenance services and mechanical design services using the output method. When the Group is not able to reasonably measure its performance progress, the Group recognises revenue only to the extent of the recoverable amount of costs incurred until such time that it can reasonably measure the performance progress.

Significant financing component

For contracts that contain significant financing components, the Group determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when the control of goods or services is transferred to the customer. The difference between the transaction price and the contract consideration shall be amortised using an effective interest method over the contract term. The Group shall not take into account the existence of a significant financing component in the contract if the Group expects, at contract inception, that the period between when the customer acquires the control of a promised good or service and when the customer pays for that good or service will be one year or less.

Principal and agent

The Group determines whether it is a principal or an agent at the time of the transaction based on whether it has the control over the goods or services before the transfer of such goods or services to the customer. The Group is a principal if it controls the specified goods or services before they are transferred to a customer, and the revenue shall be recognised based on the total consideration received or receivable; otherwise, the Group is an agent, and the revenue shall be recognised based on the amount of commission or handling fee that is expected to be charged, and such amount is determined based on the net amount of the total consideration received or receivable after deducting the prices payable to other related parties or at the pre-determined amount or pre-determined proportion of the commission.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

16. Revenue recognition (Continued)

Sales with quality assurance terms

For sales with quality assurance terms, if the quality assurance provides a separate service to the customer other than ensuring that the goods or services sold meet the established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Group will account for the quality assurance responsibility in accordance with the Accounting Standards for Business Enterprises No. 13 – Contingencies.

Contract asset

Contract asset refers to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Accounting policies relating to contract asset are specified in Note III.8.2. The Group's unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

Contract liabilities

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received or receivable consideration from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

17. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

17. Government grants (Continued)

For a government grant related to income, if the grant is a compensation for related costs, expenses or losses to be incurred in subsequent periods, it is recognised as deferred income, and recognised in profit or loss or offset against the related costs and expenses over the periods in which the related costs, expenses or losses are recognised; if the grant is a compensation for related costs, expenses or losses already incurred, it is recognised immediately in profit or loss or offset against the related costs and expenses for the current period.

Government grants related to the Group's daily activities shall be credited to other gains or offset against the related costs and expenses based on the economic business nature. Government grants irrelevant to the Group's daily activities shall be credited to non-operating income.

18. Income tax

The income tax expenses include current income tax and deferred income tax.

Except for that the carrying amount of goodwill adjusted by deferred income tax arising from the business combination or the current income tax and deferred income tax related to transactions or events directly recognised in other comprehensive income or owners' equity are included in other comprehensive income or owners' equity, the expenses or gains of other current income tax and deferred income tax are included in profit or loss for the period.

Current income tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid or recovered according to the taxation laws and regulations.

At the balance sheet date, for temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the carrying amounts of items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred income taxes are recognised using the balance sheet liability method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Income tax (Continued)

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- (1) When the taxable temporary difference arises from: the initial recognition of goodwill or the initial recognition of an asset or liability in transactions that are not business combinations and, at the time of the transaction, affects neither the accounting profit, taxable profit or loss nor deductible losses;
- (2) In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

For deductible temporary differences, deductible losses and tax credits that can be carried forward in the coming years, deferred tax assets are recognised 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 utilized, except:

- (1) When the deductible temporary differences do not arise from business combinations and, at the time of the transaction, affects neither the accounting profit, taxable profit or loss nor deductible losses.
- (2) In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

At the balance sheet date, deferred income tax assets and liabilities are measured at applicable tax rates according to the requirements of tax laws during the period that the assets are expected to be recovered or the liability expected to be settled. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. The reduced amount is recovered to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are offset and presented on a net basis if the Group has a legal right to settle the current tax assets and liabilities on a net basis and the deferred income taxes relate to the same taxable entity and the same taxation authority.

19. Leases

Lease is a contract that conveys the right to use an asset for a period of time in exchange for consideration.

For contracts entered into, the Group assesses whether the contract is, or contains, a lease at inception/modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

19.1 The Group as a Lessee

For short-term leases of mechanical equipment, the Group shall choose not to recognise the right-of-use assets and lease liabilities. A short-term lease refers to a lease with a term of no more than 12 months and does not contain a purchase option at the start date of the lease term. The Group records the lease payment amount of the short-term lease into the current profit and loss or relevant costs of asset using the straight line method in each period of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. Leases (Continued)

19.2 The Group as a lessor

Classification of leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Other leases which are not finance leases are operating leases.

Recognition and measurement as a lessor of an operating lease

The Group recognises lease receivables from operating leases as lease income on a straight-line basis over the lease term.

20. Goodwill

The goodwill arising on a business combination shall be presented separately in the consolidated financial statements and measured at costs less accumulated provision for impairment.

21. Impairment of long-term assets

The Group determines the impairment of assets, other than the impairment of inventories, deferred tax assets, financial assets and contract assets, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that the assets may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the assets and conducts a test for impairment. Goodwill arising from a business combination is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. Impairment of long-term assets (Continued)

The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. The recoverable amount of an asset or an asset group is the higher of its fair value less costs of disposal and the present value of its future cash flows estimated to be derived from the asset or the asset group.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the difference is recognised as a provision for impairment loss in profit or loss for the current period.

For the purpose of impairment testing for goodwill, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is difficult to do so, and such amount will be amortised to the relevant portfolio of asset groups. Each of relevant asset groups or portfolio of asset groups is an asset group or portfolio of asset groups that is able to benefit from the synergies of the business combination and shall not be larger than a reporting segment determined by the Group.

In impairment testing for goodwill, if any indication shows that the goodwill-related asset group or portfolio of asset groups may have been impaired, the Group will firstly conduct an impairment test on the asset groups or portfolios of asset groups not containing goodwill, calculate the recoverable amount and compare it with the relevant book value, to recognise the corresponding impairment loss. Thereafter, the Group conducts the impairment test on the asset group or portfolio of asset groups where the goodwill is included, and compare the carrying amount of such group or portfolio with the recoverable amount of the same, if the recoverable amount is less than the carrying amount, the amount of impairment loss should firstly be used to reduce the carrying amount of the goodwill allotted to such group or portfolio, and then reduce carrying amount of other assets (other than the goodwill) in such group or portfolio based on proportions of these carrying amounts.

The losses from impairment of the above assets cannot be reversed in subsequent accounting periods once recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

22. Employee benefits

Employee benefits are all forms of considerations given by the Group in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

22.1 Short-term benefits

In the period of employee services, short-term benefits are actually recognised as liabilities and charged to profit or loss or the related costs of assets for the current period.

22.2 Post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

The employees of the Group participate in the basic pension insurance and unemployment insurance plans managed by local governments and participate in the supplementary pension insurance of the Group as well, and the relevant expenditures are recorded in related costs of assets or profit or loss in the period when incurred.

For defined benefit plans, the Group assigns the welfare obligation generated from the defined benefit plans to the period of rendering services using the formula determined by the projected unit credit method, and includes it in the current period profit or loss or related asset costs. Employee benefit costs generated from the defined benefit plans are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest of net liabilities or net assets of defined benefit plans (including interest income of planned assets, interest expenses of defined benefit plan liabilities and effect of asset ceiling); and
- Remeasurement of changes in net liabilities or net assets of defined benefit plans.

Service cost and net interest of net liabilities or net assets of defined benefit plans are included in the current period profit or loss or related asset costs. Remeasurement of changes in net liabilities or net assets of defined benefit plans (including actuarial gains or losses, return on plan assets excluding the amount included in the net interest of net liabilities or net assets of defined benefit plans, and changes to the asset ceiling excluding the amount included in the net interest of net liabilities or net assets of defined benefit plans) is included in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

22. Employee benefits (Continued)

22.3 Termination benefits

The Group recognises a liability and expenses for termination benefits at the earlier of the following dates in profit or loss: when the Group can no longer unilaterally withdraw the offer of those benefits for proposals or suggestions for termination of employment; and when the Group recognises costs or expenses for restructuring and involves the payment of termination costs or expenses.

22.4 Housing funds

All full-time employees of the Group in Mainland China are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees.

23. Distribution of profit

The cash dividends of the Company are recognised as a liability after being approved at a general meeting.

24. Production safety expenses

The Group accrues for production safety expenses pursuant to the Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilisation (Cai Qi [2012] No.16) and the Management Measures on the Enterprises Production Safety Expenses Appropriation and Utilisation, issued by the Ministry of Finance and the State Administration of Work Safety.

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss, and provided as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in the statement of profit or loss and other comprehensive income and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Significant accounting judgements and estimates

In the process of applying the above accounting policies, the inherent uncertainties in the Group's operations require the Group to make judgements, estimates and assumptions about the carrying amounts of items in the statements that cannot be measured accurately. These judgements, estimates and assumptions are based on the historical experience of the Group's management and the consideration of other relevant factors. Actual results may differ from the Group's estimates.

The Group reviews these judgements, estimates and assumptions on a going concern basis periodically. If the changes of accounting estimates only affect the current period, the influence amount is recognised in the current period. If the changes of accounting estimates affect both of the current period and the future period, the influence amount is recognised in the current period and the future period.

The key assumptions and uncertainties adopted in accounting estimates

The key assumptions and uncertainties in accounting estimates at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in future periods are mainly:

Useful lives and residual values of fixed assets

The useful lives of fixed assets are estimated based on the actual useful lives of fixed assets of similar nature and function in the past, based on historical experience. To determine the useful life and estimated net residual value of fixed assets, the Group regularly reviews changes in market conditions, the actual wear and tear of assets and asset maintenance. If the useful life of fixed assets is reduced, the Group will increase the depreciation rate and retire those assets that are idle or technically obsolete. The Group reviews the useful lives and estimated net residual values of fixed assets at the end of the year in the light of changes in circumstances.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Significant accounting judgements and estimates (Continued)

The key assumptions and uncertainties adopted in accounting estimates (Continued)

Impairment of trade receivables

The Group measures loss allowance for trade receivables arising from transactions regulated by Revenue Standard based on the amount of full lifetime ECL. For receivables that are individually significant and for which credit impairment has occurred, the management determines the credit loss by estimating the cash flows expected to be collected based on objective evidence that credit impairment has occurred and taking into account forward-looking information. For receivables other than those mentioned above, the Group divides the items into different portfolios based on the common risk characteristics, and employs impairment matrix on the basis of portfolios to determine the credit loss of related items. The expected credit loss rate is determined based on the Group's historical actual loss rate taking into account the forward-looking information. The determination of expected credit losses involves the estimates and judgement of the management and if the re-estimated results differ from existing estimates, such differences will impact the profit and carrying value of trade receivables in the period in which the estimates are changed.

During the year, based on the adjustment of business and customer structure, changes in macroeconomic environment and specific industry factors, the Group adjusted the mix of customer credit risk characteristics to ensure that the division of the mix of credit risk characteristics can reflect the different risk characteristics of different types of customers.

Impairment of goodwill

The impairment testing of goodwill requires the calculation of the present value of the estimated future cash flows of the relevant asset group comprising the goodwill and requires the estimation of the future cash flows of that asset group and the determination of a pre-tax rate that appropriately reflects the current market time value of money and the risks specific to the asset. Further impairment may occur if actual future cash flows are less than expected. The carrying value of goodwill as at 31 December 2021 was RMB43,732,466.28 (31 December 2020: RMB67,132,466.28) and the Group made a provision of RMB23,400,000.00 for impairment of goodwill for 2021 (2020: RMB8,580,000.00). See notes V.14 for details.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Significant accounting judgements and estimates (Continued)

The key assumptions and uncertainties adopted in accounting estimates (Continued)

Fair value of investments in other equity instruments

As the Group's investment in other equity instruments is an equity interest in a company listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange, which is a state-owned legal entity and is not directly marketable within the 12 months from the issue date of such equity interest under current legislation, the Group has adjusted the fair value of this investment on the basis of quoted open market prices for outstanding shares. This requires the Group to estimate a liquidity discount rate for this investment, which involves management's estimates and judgement. If the re-estimation results in a difference from the existing estimate, the difference will impact other comprehensive income and the carrying value of the investment in other equity instruments in the period in which the estimate is changed. See notes V.9 for details.

Income tax and deferred tax assets

The Company and its subsidiaries are subject to enterprise income tax in their respective locations due to their geographical locations. In providing for enterprise income tax, reliable estimates and judgments are required based on current tax regulations and other relevant policies as certain matters relating to enterprise income tax have not been confirmed by the competent tax authorities. Where the final tax outcome of such matters differs from the amounts recognised, such differences will have an impact on the current income tax for the period.

Deferred tax assets relating to certain deductible temporary differences and tax losses are recognised to the extent that the management believes it is probable that sufficient taxable income will be available against which deductible temporary differences or deductible losses can be utilised in the future. If the estimate differs from the original estimate, such differences will have an impact on the deferred tax assets and tax recognised in the period of change.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

26. Changes in accounting policies

The Ministry of Finance issued the Interpretation No. 15 of Accounting Standards for Business Enterprises (“**Interpretation No. 15**”) in December 2021, which standardized the related presentation of centralized management of funds.

Interpretation No. 15 regulates the presentation of the followings: (1) the funds collected by member companies into the account of the group parent company; (2) funds borrowed by member companies from the group parent company account; (3) funds deposited directly into the finance company by member companies instead of being collected into the group parent company account; (4) funds borrowed by member companies directly from the finance company instead of the account of the group parent company. The finance company mentioned in Interpretation No. 15 refers to a non-bank financial institution that accepts the supervision and management of China Banking and Insurance Regulatory Commission according to law and provides financial management services for member units of enterprise groups for the purpose of strengthening the centralized management of enterprise group funds and improving the efficiency of funds utilization. Where the centralized management of funds involves non-current items, Interpretation No. 15 requires enterprises to record such items under current assets and non-current assets, current liabilities and non-current liabilities respectively according to the provisions on liquidity of Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements. Meanwhile, it is stipulated in Interpretation No. 15 that in the balance sheets of parent companies, member companies and finance companies of the group, financial assets and financial liabilities related to centralized management of funds shall not be offset against each other, except in accordance with the provisions on offset of financial assets and financial liabilities of Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments.

Stipulations in Interpretation No. 15 regarding the presentation of centralized management of funds shall come into effect from the date of publication, and the figures in financial statements for comparative periods shall be adjusted accordingly. In accordance with the requirements of Interpretation No. 15, the Group separately disclosed the funds deposited in the finance company of the Group under cash and bank balances. Save as disclosed above, the adoption of the above provisions did not have an impact on the financial position and operating results of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

IV. TAXATION

1. Major categories of taxes and respective tax rates

Category	Tax basis	Tax rate
Valued-added tax	Sales, etc. under the relevant tax laws	6%, 9%, 13%
Enterprise income tax	Taxable income	The Company and its subsidiary, Beijing Ruiweitong Engineering Machinery Co., Ltd., are entitled to a preferential tax of 15% and the enterprise income tax of other subsidiaries of the Group is calculated at 25% of the taxable income. The subsidiaries of the Company established overseas shall provide enterprise income tax according to the local income tax laws and regulations of the places of registration.
Urban maintenance and construction tax	Based on the actual amount of turnover tax paid, such as value added tax	5%, 7%
Education surcharge	Based on the actual amount of turnover tax paid, such as value added tax	3%
Local education surcharge	Based on the actual amount of turnover tax paid, such as value added tax	2%

2. Tax incentive

Deduction of research and development expenses incurred

In accordance with Article 30(1) of Chapter 4 of the Enterprise Income Tax Law of the People's Republic of China, and the Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on Increasing the Percentage of Pre-tax Deduction of Research and Development Expenses (Cai Shui [2018] No. 99), the Company and its subsidiaries are entitled to a pre-tax deduction of 75% of the actual amount of research and development expenses incurred in calculating taxable income for the year 2020. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

IV. TAXATION (Continued)

2. Tax incentive (Continued)

Tax preferential policy for the Western Region Development

Pursuant to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation (Cai Shui [2011] No. 58), the tax preferential policy for the Western Region Development are valid until 2020. The document stipulates that: “from 1 January 2011 to 31 December 2020, enterprise income tax shall be levied at a reduced rate of 15% on enterprises in the encouraged industries located in the western region. The abovementioned enterprises in the encouraged industries refer to those enterprises whose main business is in the industries specified in the Catalogue of Industries Encouraged to Develop in the Western Region and whose main business revenue accounts for more than 70% of the total revenue of the enterprise. The Catalogue of Industries Encouraged to Develop in the Western Region will be published separately”. The Catalogue of Industries Encouraged to Develop in the Western Region has been approved by the State Council and has been effective since 1 October 2014.

Pursuant to the Announcement of the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for Western Development Strategies (Cai Shui [2020] No. 23), the tax preferential policy for the Western Region Development are valid until 2030. The document stipulates that: “from 1 January 2021 to 31 December 2030, enterprise income tax shall be levied at a reduced rate of 15% on enterprises in the encouraged industries located in the western region. Enterprises in the encouraged industries as referred to in this article are those whose main business is in the industries specified in the Catalogue of Industries Encouraged to Develop in the Western Region and whose main business revenue accounts for more than 60% of the total revenue of the enterprise. The Catalogue of Industries Encouraged to Develop in the Western Region is formulated under the leadership of the Development and Reform Commission. If the catalogue is amended within the implementation period of this announcement, the new version will be implemented from the date of implementation of the amended version”.

The Company satisfies the condition of “being located in the western region, whose main business is the projects in the encouraged industries as stipulated by the State, and with its main business revenue accounting for more than 70% of the total revenue of the enterprise in the year” as stipulated in the aforesaid document, the Company is eligible for the preferential tax policy for the Western Region Development, and is applicable to preferential income tax rate of 15% in 2020. The Company satisfies the condition of “being located in the western region, whose main business is the projects in the encouraged industries as stipulated by the State, and with its main business revenue accounting for more than 60% of the total revenue of the enterprise in the year” as stipulated in the aforesaid document, the Company is eligible for the preferential tax policy for the Western Region Development, and is applicable to preferential income tax rate of 15% in 2021.

Preferential policy for high and new technology enterprises

The Company's subsidiary, Beijing Ruiweitong Engineering Machinery Co., Ltd., applied to the Beijing Science and Technology Commission, the Ministry of Finance, and the Taxation Bureau in 2021 and was finally recognised as a high-tech enterprise, and is entitled to a preferential enterprise income tax rate of 15% from 1 January 2021 to 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB

Item	31 December 2021	31 December 2020
Cash on hand	12,083.65	8,012.59
Cash at banks	1,178,521,384.33	1,708,327,756.25
Including: Amount deposited in the finance company	35,022,775.18	40,161,933.53
Total	1,178,533,467.98	1,708,335,768.84

As at 31 December 2021 and 31 December 2020, the Group had no cash and bank balances subject to restricted ownership.

As at 31 December 2021, the cash and bank balances deposited overseas by the Group were equivalent to RMB47,415,643.64 (31 December 2020: RMB50,528,018.13), of which there were no cash and bank balances subject to repatriation restrictions (31 December 2020: Nil).

2. Bills receivable

RMB

Item	31 December 2021	31 December 2020
Commercial acceptance bills	213,564,809.30	24,500,000.00
Less: Provision for credit losses	705,390.29	122,500.00
Total	212,859,419.01	24,377,500.00

Note 1: As at 31 December 2021, the Group had no bills receivable with restricted ownership (31 December 2020: Nil).

Note 2: As at 31 December 2021, the Group had no bills that were transferred to account receivables due to non-performance by the drawers (31 December 2020: Nil).

Note 3: As at 31 December 2021, the Group's discounted or endorsed bills receivable with recourse to other parties but not yet due was RMB500,000.00 (31 December 2020: nil). Given the credit risk of the endorser, the Group considered that almost all the risks and rewards attaching to the ownership of such discounted or endorsed bills receivable had not been transferred. The Group did not derecognize these bills receivable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Receivables at FVTOCI

RMB

Item	31 December 2021	31 December 2020
Bank acceptance bills	29,681,169.19	206,316,536.04
Total	29,681,169.19	206,316,536.04

As at 31 December 2021, the Group had outstanding bills receivable discounted or endorsed to others with recourse amounting to RMB367,892,924.65 (31 December 2020: RMB45,360,000.00). As the creditworthiness of the acceptors is good and the risk of non-payment by the acceptors upon maturity is minimal, the Group considers that substantially all the risks and rewards of ownership of these discounted or endorsed bills receivable have been transferred and has derecognised these bills receivable.

As at 31 December 2021, the Group considered that the bank acceptance bills held by it were not subject to significant credit risk and no significant credit losses would arise from bank defaults and therefore no provision for credit losses has been made on the bank acceptance bills.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Trade receivables

Aging analysis of trade receivables is as follows:

RMB

Aging	31 December 2021	31 December 2020
Less than one year	1,676,993,884.36	1,233,118,650.15
One to two years	159,046,488.69	384,032,268.96
Two to three years	139,999,200.62	104,289,425.83
Over three years	262,344,792.97	241,209,116.55
Sub-total	2,238,384,366.64	1,962,649,461.49
Less: Provision for credit losses	188,910,569.19	154,516,522.60
Total	2,049,473,797.45	1,808,132,938.89

Movements in provision for credit losses of trade receivables are as follows:

RMB

Item	2021	2020
Balance at the beginning of the year	154,516,522.60	121,179,401.93
Provided for the year	55,990,710.78	48,912,940.16
Less: Reversal for the year	21,596,664.19	15,575,819.49
Balance at the end of the year	188,910,569.19	154,516,522.60

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Trade receivables (Continued)

Trade receivables and provisions for credit losses by category for the year 2021 are disclosed as follows:

RMB

Category	Gross carrying amount		31 December 2021 Provisions for credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Provisions for credit losses assessed individually	131,574,716.62	5.88	96,400,678.16	73.27	35,174,038.46
Provisions for credit losses assessed by portfolio of credit risk characteristics	2,106,809,650.02	94.12	92,509,891.03	4.39	2,014,299,758.99
Portfolio I	1,574,624,823.26	70.35	28,014,646.07	1.78	1,546,610,177.19
Portfolio II	298,725,580.84	13.35	53,517,200.25	17.92	245,208,380.59
Portfolio III	42,508,963.07	1.90	9,164,122.60	21.56	33,344,840.47
Portfolio IV	190,950,282.85	8.53	1,813,922.11	0.95	189,136,360.74
Total	2,238,384,366.64	100.00	188,910,569.19	8.44	2,049,473,797.45

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Trade receivables (Continued)

Trade receivables and provisions for credit losses by category for the year 2020 are disclosed as follows:

RMB

Category	Gross carrying amount		31 December 2020 Provisions for credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Provisions for credit losses assessed individually	129,760,000.00	6.61	64,619,476.92	49.80	65,140,523.08
Provisions for credit losses assessed by portfolio of credit risk characteristics	1,832,889,461.49	93.39	89,897,045.68	4.90	1,742,992,415.81
Total	1,962,649,461.49	100.00	154,516,522.60	7.87	1,808,132,938.89

Information of trade receivables for which credit losses are provided by portfolio of credit risk characteristics is set out below:

Portfolio I:

RMB

Ageing	Gross carrying amount		31 December 2021 Provisions for credit losses	
	Amount	Percentage (%)	Amount	Percentage (%)
Less than one year	1,394,311,027.48	88.55	6,971,555.14	0.50
One to two years	77,686,750.54	4.93	1,942,168.76	2.50
Two to three years	69,254,372.75	4.40	3,462,718.64	5.00
Over three years	33,372,672.49	2.12	15,638,203.53	46.86
Total	1,574,624,823.26	100.00	28,014,646.07	1.78

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Trade receivables (Continued)

Information of trade receivables for which credit losses are provided by portfolio of credit risk characteristics is set out below: (Continued)

Portfolio II:

RMB

Ageing	31 December 2021			
	Gross carrying amount		Provisions for credit losses	
	Amount	Percentage (%)	Amount	Percentage (%)
Less than one year	97,098,704.79	32.50	485,491.87	0.50
One to two years	49,954,398.52	16.73	2,497,719.93	5.00
Two to three years	64,462,811.42	21.58	6,446,281.14	10.00
Over three years	87,209,666.11	29.19	44,087,707.31	50.55
Total	298,725,580.84	100.00	53,517,200.25	17.92

Portfolio III:

RMB

Ageing	31 December 2021			
	Gross carrying amount		Provisions for credit losses	
	Amount	Percentage (%)	Amount	Percentage (%)
Less than one year	7,113,425.89	16.73	71,135.93	1.00
One to two years	21,048,131.98	49.52	1,052,406.60	5.00
Two to three years	3,417,133.98	8.04	512,570.10	15.00
Over three years	10,930,271.22	25.71	7,528,009.97	68.87
Total	42,508,963.07	100.00	9,164,122.60	21.56

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Trade receivables (Continued)

Information of trade receivables for which credit losses are provided by portfolio of credit risk characteristics is set out below: (Continued)

Portfolio IV:

RMB

Ageing	31 December 2021			
	Gross carrying amount		Provisions for credit losses	
	Amount	Percentage (%)	Amount	Percentage (%)
Less than one year	178,470,726.20	93.47	892,353.63	0.50
One to two years	10,357,207.65	5.42	517,860.38	5.00
Two to three years	1,796,423.00	0.94	179,642.30	10.00
Over three years	325,926.00	0.17	224,065.80	68.75
Total	190,950,282.85	100.00	1,813,922.11	0.95

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Trade receivables (Continued)

As at 31 December 2021, trade receivables from the five largest customers are listed as follows:

RMB

Company name	Relationship with the Group	Amount	Aging	Percentage of total trade receivables (%)
Company 1	Third party	329,995,000.00	Within 1 year	14.74
Company 2	Third party	103,623,154.75	Within 1 year	4.63
Company 3	Third party	97,631,055.40	Within 1 year	4.36
Company 4	Third party	94,224,936.90	Within 2 years	4.21
Company 5	Third party	83,184,102.13	Within 1 year	3.72
Total	—	708,658,249.18	—	31.66

For details on movements in provisions for credit losses for trade receivables of the Group in 2021, please see Note VII.3.

In 2021, the Group had no trade receivables that were written off or subject to restricted ownership (2020: Nil).

In 2021, the Group had no trade receivables derecognised as a result of the transfer of financial assets and had no assets or liabilities arising from continuing involvement of transferred receivables (2020: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Advances to suppliers

An aging analysis of advances to suppliers is listed as follows:

RMB

Aging	31 December 2021		31 December 2020	
	Gross carrying amount	Percentage (%)	Gross carrying amount	Percentage (%)
Less than one year	46,940,856.03	77.35	34,771,142.99	18.40
One to two years	234,915.75	0.39	153,878,918.42	81.44
Two to three years	13,505,202.73	22.26	294,305.87	0.16
Sub-total	60,680,974.51	100.00	188,944,367.28	100.00
Less: Provision for impairment	12,319,343.80		12,319,343.80	
Total	48,361,630.71		176,625,023.48	

As at 31 December 2021, there were no significant advances to suppliers aged over one year.

As at 31 December 2021, advances to the five largest suppliers are listed as follows:

RMB

Company name	Relationship with the Group	Amount	Time for prepayment	Percentage of total advances to suppliers (%)
Company 1	Third party	9,240,035.38	Within 1 year	15.23
Company 2	Third party	8,989,245.50	Within 1 year	14.81
Company 3	Third party	4,890,555.43	Within 1 year	8.06
Company 4	Third party	3,406,005.70	Within 1 year	5.61
Company 5	Third party	2,774,266.11	Within 1 year	4.57
Total	–	29,300,108.12	–	48.28

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other receivables

An aging analysis of other receivables is listed as follows:

RMB

Aging	31 December 2021	31 December 2020
Within 1 year	28,468,585.23	18,888,186.88
1 to 2 years	335,669.05	2,517,038.15
2 to 3 years	1,834,280.61	263,427.22
Over 3 years	—	1,003,879.37
Subtotal	30,638,534.89	22,672,531.62
Less: Provision for credit losses	1,211,218.30	964,671.55
Total	29,427,316.59	21,707,860.07

Movements in the provision for credit losses of other receivables are listed as follows:

RMB

Item	2021	2020
Opening balance	964,671.55	585,073.78
Provision for the year	473,005.02	617,241.96
Less: Reversal for the year	226,458.27	237,644.19
Closing balance	1,211,218.30	964,671.55

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other receivables (Continued)

As at 31 December 2021, analysis of provision for credit losses of other receivables at phase I is listed as follows:

RMB

Category	Gross carrying amount		31 December 2021 Provisions for credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Provisions for credit losses assessed by portfolio of credit risk characteristics	30,638,534.89	100.00	1,211,218.30	3.95	29,427,316.59
Total	30,638,534.89	100.00	1,211,218.30	3.95	29,427,316.59

As at 31 December 2021, the Group did not have other receivables at phase II or phase III.

Gross carrying amount of other receivables categorised by nature is listed as follows:

RMB

Nature	31 December 2021	31 December 2020
Security deposit	20,867,631.91	10,982,276.29
Others	8,559,684.68	10,725,583.78
Total	29,427,316.59	21,707,860.07

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other receivables (Continued)

As at 31 December 2021, other receivables from the five largest customers are listed as follows:

RMB

Company name	Closing amount	Percentage of total other receivables (%)	Nature	Aging	Provisions for credit losses
Company 1	2,510,865.68	8.20	Deposit for bidding	Within 1 year	12,554.33
Company 2	2,469,519.59	8.06	Deposit for bidding	Within 1 year	12,347.60
Company 3	1,900,848.30	6.20	Deposit for bidding	Within 1 year	9,504.24
Company 4	1,670,000.00	5.45	Deposit for bidding	Within 1 year	8,350.00
Company 5	1,585,867.82	5.18	Deposit for bidding	Within 1 year	9,885.53
Total	10,137,101.39	33.09	–	–	52,641.70

7. Inventories

RMB

Item	31 December 2021		Carrying amount
	Gross carrying amount	Provision for decline in value	
Raw materials	711,467,832.06	22,149,389.83	689,318,442.23
Work in progress	884,436,144.81	–	884,436,144.81
Goods in transit	298,171,199.07	–	298,171,199.07
Finished goods	331,159,651.09	–	331,159,651.09
Materials in transit	15,154,484.40	–	15,154,484.40
Total	2,240,389,311.43	22,149,389.83	2,218,239,921.60

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Inventories (Continued)

RMB

Item	31 December 2020		Carrying amount
	Gross carrying amount	Provision for decline in value	
Raw materials	632,355,316.28	20,856,724.60	611,498,591.68
Work in progress	653,674,776.36	–	653,674,776.36
Finished goods	60,334,163.65	–	60,334,163.65
Goods in transit	116,355,926.34	–	116,355,926.34
Materials in transit	6,158,472.25	–	6,158,472.25
Total	1,468,878,654.88	20,856,724.60	1,448,021,930.28

Movements in the provision for decline in value of inventories are analysed as follows:

RMB

Item	1 January 2021	Increase in the year	Decrease in the year	31 December 2021
Raw materials	20,856,724.60	1,746,531.84	453,866.61	22,149,389.83
Total	20,856,724.60	1,746,531.84	453,866.61	22,149,389.83

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Inventories (Continued)

RMB

Item	1 January 2020	Increase in the year	Decrease in the year	31 December 2020
Raw materials	20,063,263.35	793,461.25	–	20,856,724.60
Total	20,063,263.35	793,461.25	–	20,856,724.60

8. Other current assets

RMB

Item	31 December 2021	31 December 2020
VAT input to be deducted	77,903,710.41	23,835,088.99
Prepaid taxes	1,449,542.68	–
Total	79,353,253.09	23,835,088.99

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Other equity instrument investments

RMB

Item	31 December 2021	31 December 2020
Equity investments in listed companies (Note)	628,866,000.00	181,210,141.84
Total	628,866,000.00	181,210,141.84

2021:

RMB

Item	1 January 2021	Changes in fair value for the year	31 December 2021
Other equity instrument investments (Note VIII. 1)	181,210,141.84	447,655,858.16	628,866,000.00

2020:

RMB

Item	1 January 2020	Changes in fair value for the year	31 December 2020
Other equity instrument investments (Note VIII. 1)	160,916,137.20	20,294,004.64	181,210,141.84

Note: Investment in other equity instruments refers to the equity interests of a listed company held by the Group. The listed company was listed on the Hong Kong Stock Exchange on 20 December 2006, and the equity interests held by the Group are unlisted state-owned legal person shares. The listed company was listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange on 7 September 2021. According to the relevant provisions of the Company Law of the People's Republic of China, the above equity interests held by the Group will be released of the restriction on circulation on the Science and Technology Innovation Board of the Shanghai Stock Exchange after the expiration of 12 months from the date of listing of the A shares of the listed company. Accordingly, the fair value of other equity instrument investments was measured based on the quoted market price of the Hong Kong Stock Exchange as at 31 December 2020, and based on the quoted market price of the Science and Technology Innovation Board as at 31 December 2021, both taking into account the corresponding liquidity discount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Long-term receivables

RMB

Item	31 December 2021		Carrying amount
	Gross carrying amount	Provisions for credit losses	
Sale of goods by instalment	51,970,000.00	1,945,970.00	50,024,030.00
Less: Non-current assets due within one year:	51,970,000.00	1,945,970.00	50,024,030.00
Total long-term receivables due over one year	—	—	—

RMB

Item	31 December 2020		Carrying amount
	Gross carrying amount	Provisions for credit losses	
Sale of goods by instalment	232,408,060.73	1,204,640.00	231,203,420.73
Less: Non-current assets due within one year	10,653,850.00	259,850.00	10,394,000.00
Total long-term receivables due over one year	221,754,210.73	944,790.00	220,809,420.73

The Group assesses ECL of long-term receivables on a portfolio basis based on shared credit risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Long-term receivables (Continued)

Movements in provisions for credit losses of long-term receivables (including those due within one year) are as follows:

		RMB
Item	2021	2020
Balances at the beginning of the year	1,204,640.00	944,790.00
Provisions for the year	1,686,120.00	259,850.00
Reversal for the year	944,790.00	–
Balances at the end of the year	1,945,970.00	1,204,640.00

In 2021, the Group had no long-term receivables that were written off or subject to restricted ownership (2020: Nil).

In 2021, the Group had no long-term receivables that are derecognised due to transfer of financial assets (2020: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Fixed assets

2021:

RMB

Item	Buildings	Machinery, production equipment, measuring and testing equipment	Vehicles	Others	Total
I. Original costs					
1 January 2021	883,690,374.45	489,084,306.86	27,670,668.96	123,068,955.95	1,523,514,306.22
Additions	511,338.78	4,482,764.51	–	3,712,631.68	8,706,734.97
Transferred in from construction in progress	–	112,005,562.40	–	–	112,005,562.40
Transferred in	–	217,084,745.89	–	–	217,084,745.89
Transferred in from inventories	–	148,999,215.69	–	–	148,999,215.69
Disposal or retirement	–	(7,340,324.47)	–	(456,590.79)	(7,796,915.26)
31 December 2021	884,201,713.23	964,316,270.88	27,670,668.96	126,324,996.84	2,002,513,649.91
II. Accumulated depreciation					
1 January 2021	247,350,436.86	366,411,509.60	25,087,434.74	76,151,608.89	715,000,990.09
Provision	23,707,880.01	29,377,550.07	1,031,506.10	5,216,723.47	59,333,659.65
Other	–	41,246,101.72	–	–	41,246,101.72
Disposal or retirement	–	(5,473,860.39)	–	(96,151.65)	(5,570,012.04)
31 December 2021	271,058,316.87	431,561,301.00	26,118,940.84	81,272,180.71	810,010,739.42
III. Provision for impairment					
1 January 2021	–	–	–	–	–
Provision	–	–	–	–	–
31 December 2021	–	–	–	–	–
IV. Carrying amount					
31 December 2021	613,143,396.36	532,754,969.88	1,551,728.12	45,052,816.13	1,192,502,910.49
1 January 2021	636,339,937.59	122,672,797.26	2,583,234.22	46,917,347.06	808,513,316.13

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Fixed assets (Continued)

2020:

RMB

Item	Buildings	Machinery, production equipment, measuring and testing equipment	Vehicles	Others	Total
I. Original costs					
1 January 2020	883,690,374.45	469,800,989.69	27,670,668.96	118,437,791.38	1,499,599,824.48
Additions	–	10,354,182.66	–	5,466,010.05	15,820,192.71
Transferred in from construction in progress	–	10,258,268.39	–	700,884.97	10,959,153.36
Transferred out	–	(1,329,133.88)	–	(1,535,730.45)	(2,864,864.33)
31 December 2020	883,690,374.45	489,084,306.86	27,670,668.96	123,068,955.95	1,523,514,306.22
II. Accumulated depreciation					
1 January 2020	223,651,371.06	346,874,468.70	23,863,663.37	73,087,922.96	667,477,426.09
Provision	23,699,065.80	20,799,718.09	1,223,771.37	4,512,286.02	50,234,841.28
Disposal or retirement	–	(1,262,677.19)	–	(1,448,600.09)	(2,711,277.28)
Transferred out	–	–	–	–	–
31 December 2020	247,350,436.86	366,411,509.60	25,087,434.74	76,151,608.89	715,000,990.09
III. Provision for impairment					
1 January 2020	–	–	–	–	–
Provision	–	–	–	–	–
31 December 2020	–	–	–	–	–
IV. Carrying amount					
31 December 2020	636,339,937.59	122,672,797.26	2,583,234.22	46,917,347.06	808,513,316.13
1 January 2020	660,039,003.39	122,926,520.99	3,807,005.59	45,349,868.42	832,122,398.39

As at 31 December 2021, the Group had no fixed assets with restricted ownership (31 December 2020: Nil).

As at 31 December 2021, the Group had no buildings for which the title certificates are in the process of being applied and registered or which is going through formalities of transfer (31 December 2020: Nil).

As at 31 December 2021, the Group had no significant fixed assets that were temporarily idle (31 December 2020: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Construction in progress

RMB

Item	31 December 2021			31 December 2020		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Construction project of large railway track maintenance machinery engineering research centre	42,485,279.08	–	42,485,279.08	37,343,345.18	–	37,343,345.18
Industrial base ancillary facilities	32,308,821.82	–	32,308,821.82	40,912,667.08	–	40,912,667.08
Others	122,641.51	–	122,641.51	17,806,015.50	–	17,806,015.50
Testbed of running performance for large railway track maintenance machinery	–	–	–	71,111,111.09	–	71,111,111.09
Total	74,916,742.41	–	74,916,742.41	167,173,138.85	–	167,173,138.85

2021:

RMB

Item	Budget	1 January 2021	Additions	Transfer out	31 December 2021	Source of funds	Proportion of investment to budget (%)
Construction project of large railway track maintenance machinery engineering research centre	45,000,000.00	37,343,345.18	5,458,859.73	(316,925.83)	42,485,279.08	Self-funding	95.12
Industrial base ancillary facilities	69,400,000.00	40,912,667.08	1,674,024.14	(10,277,869.40)	32,308,821.82	Self-funding	61.36
Others	23,554,910.15	17,806,015.50	4,004,536.16	(21,687,910.15)	122,641.51	Self-funding	–
Testbed of running performance for large railway track maintenance machinery	102,564,102.25	71,111,111.09	31,452,991.16	(102,564,102.25)	–	Self-funding	100
Total	240,519,012.40	167,173,138.85	42,590,411.19	(134,846,807.63)	74,916,742.41		
Less: Provision for impairment		–	–	–	–		
Net value at the end of the year		167,173,138.85	42,590,411.19	(134,846,807.63)	74,916,742.41		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Construction in progress (Continued)

2020:

							RMB
Item	Budget	1 January 2020	Additions	Transfer out	31 December 2020	Source of funds	Proportion of investment to budget (%)
Testbed of running performance for large railway track maintenance machinery	102,564,102.56	71,111,111.09	–	–	71,111,111.09	Self-funding	69.33
Industrial base ancillary facilities	69,400,000.00	37,532,760.22	3,379,906.86	–	40,912,667.08	Self-funding	58.95
Construction project of large railway track maintenance machinery engineering research centre	45,000,000.00	31,118,260.39	9,722,268.64	(3,497,183.85)	37,343,345.18	Self-funding	90.76
Others	97,350,000.00	24,836,470.58	4,213,247.67	(11,243,702.75)	17,806,015.50	Self-funding	–
Total	314,314,102.56	164,598,602.28	17,315,423.17	(14,740,886.60)	167,173,138.85		
Less: Provision for impairment		–	–	–	–		
Net value at the end of the year		164,598,602.28	17,315,423.17	(14,740,886.60)	167,173,138.85		

As at 31 December 2021, construction in progress with a carrying amount of RMB112,005,562.40 (2020: RMB10,959,153.36) had been transferred to fixed assets, and there was no transfer of construction in progress into intangible assets (2020: Nil) for the year.

As at 31 December 2021, the Group had no construction in progress subject to restricted ownership (31 December 2020: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Intangible assets

2021:

RMB

Item	Land use rights	Software licenses	Others	Total
I. Original costs				
1 January 2021	503,803,816.72	51,131,541.54	20,162,349.77	575,097,708.03
Additions	–	393,981.42	–	393,981.42
31 December 2021	503,803,816.72	51,525,522.96	20,162,349.77	575,491,689.45
II. Accumulated amortisation				
1 January 2021	105,970,335.33	44,774,934.14	18,506,481.14	169,251,750.61
Provision	10,806,011.52	4,936,803.58	936,126.96	16,678,942.06
31 December 2021	116,776,346.85	49,711,737.72	19,442,608.10	185,930,692.67
III. Provision for impairment				
1 January 2021	–	–	–	–
Provision	–	–	–	–
31 December 2021	–	–	–	–
IV. Carrying amount				
Closing balance	387,027,469.87	1,813,785.24	719,741.67	389,560,996.78
Opening balance	397,833,481.39	6,356,607.40	1,655,868.63	405,845,957.42

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Intangible assets (Continued)

2020:

RMB				
Item	Land use rights	Software licenses	Others	Total
I. Original costs				
1 January 2020	503,803,816.72	46,258,512.90	20,162,349.77	570,224,679.39
Additions	–	4,873,028.64	–	4,873,028.64
31 December 2020	503,803,816.72	51,131,541.54	20,162,349.77	575,097,708.03
II. Accumulated amortisation				
1 January 2020	95,164,323.81	40,634,351.03	17,570,354.18	153,369,029.02
Provision	10,806,011.52	4,140,583.11	936,126.96	15,882,721.59
31 December 2020	105,970,335.33	44,774,934.14	18,506,481.14	169,251,750.61
III. Provision for impairment				
1 January 2020	–	–	–	–
Provision	–	–	–	–
31 December 2020	–	–	–	–
IV. Carrying amount				
Closing balance	397,833,481.39	6,356,607.40	1,655,868.63	405,845,957.42
Opening balance	408,639,492.91	5,624,161.87	2,591,995.59	416,855,650.37

As at 31 December 2021, there were no intangible assets recognised through internal research and development (31 December 2020: Nil).

As at 31 December 2021 and 31 December 2020, the Group had no intangible assets subject to restricted ownership.

As at 31 December 2021, the Group had no pending application for title certificate or registration (31 December 2020: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Goodwill

2021:

Original costs

RMB

Item	1 January 2021	Increase during the year	Decrease during the year	31 December 2021
Acquisition of CIDEON Company	91,368,175.03	–	–	91,368,175.03
Total	91,368,175.03	–	–	91,368,175.03

Provisions for impairment

RMB

Item	1 January 2021	Increase during the year	Decrease during the year	31 December 2021
Acquisition of CIDEON Company	24,235,708.75	23,400,000.00	–	47,635,708.75
Total	24,235,708.75	23,400,000.00	–	47,635,708.75

Net amount

RMB

Item	1 January 2021	Increase during the year	Decrease during the year	31 December 2021
Acquisition of CIDEON Company	67,132,466.28	–	23,400,000.00	43,732,466.28
Total	67,132,466.28	–	23,400,000.00	43,732,466.28

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Goodwill (Continued)

2020:

Original costs

RMB

Item	1 January 2020	Increase during the year	Decrease during the year	31 December 2020
Acquisition of CIDEON Company	91,368,175.03	–	–	91,368,175.03
Total	91,368,175.03	–	–	91,368,175.03

Provisions for impairment

RMB

Item	1 January 2020	Increase during the year	Decrease during the year	31 December 2020
Acquisition of CIDEON Company	15,655,708.75	8,580,000.00	–	24,235,708.75
Total	15,655,708.75	8,580,000.00	–	24,235,708.75

Net amount

RMB

Item	1 January 2020	Increase during the year	Decrease during the year	31 December 2020
Acquisition of CIDEON Company	75,712,466.28	–	8,580,000.00	67,132,466.28
Total	75,712,466.28	–	8,580,000.00	67,132,466.28

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Goodwill (Continued)

In February 2016, the Group purchased CE cideon engineering GmbH & Co.KG, CE cideon engineering Verwaltungs GmbH (both in Germany) and CE cideon engineering Schweiz AG (in Switzerland) (collectively referred to as “**CIDEON Company**”), and recognised goodwill of RMB91,368,175.03.

The goodwill acquired in the business combination has been allocated to the mechanical design services asset group for impairment testing. Due to the normalized development of the COVID-19, the resumption of operations of the above asset group has been adversely affected. As at 31 December 2021, the Group assessed the recoverable amount of the asset group and made further impairment of goodwill of RMB23,400,000.00 (2020: RMB8,580,000.00).

The recoverable amount of the mechanical design services 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 and a discount rate of 10.38% (31 December 2020: 10.38%) was applied. The cash flow growth rate for the mechanical design services asset group over five years is 2% (31 December 2020: 2%), which is determined based on the long-term average growth rate for the relevant industry. Other key assumptions used in estimating future cash flows are: estimated sales revenue and gross profit margin based on past performance and management’s expectations of market developments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Deferred tax assets/liabilities

RMB

Item	31 December 2021		31 December 2020	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for credit impairment and provision for impairment of assets	226,559,513.68	35,259,233.65	189,361,782.73	29,300,864.71
Deductible losses	61,702,424.62	9,255,363.69	61,702,424.62	9,255,363.69
Accrued expenses and provisions	37,173,054.91	5,575,948.25	21,219,315.86	3,182,897.54
Unrealised profits of intra-group transactions	14,031,462.65	2,104,719.40	1,700,747.25	255,112.08
Changes in fair value of receivables at FVTOCI	77,840.79	11,676.12	2,283,832.81	342,574.92
Unwinding of discount on long-term receivables	–	–	8,519,939.27	1,277,990.91
Total	339,544,296.65	52,206,941.11	284,788,042.54	43,614,803.85

Item	31 December 2021		31 December 2020	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Changes in fair value of other equity instrument investments	575,894,197.19	86,384,129.57	128,238,339.03	19,235,750.85
Total	575,894,197.19	86,384,129.57	128,238,339.03	19,235,750.85

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Deferred tax assets/liabilities (Continued)

Deferred tax assets or deferred tax liabilities presented at net amount after offset

RMB

Item	Offset amount between deferred tax assets and liabilities at the end of the year	Closing balance of deferred tax assets or liabilities after offset	Offset amount between deferred tax assets and liabilities at the beginning of the year	Opening balance of deferred tax assets or liabilities after offset
Deferred tax assets	(42,481,545.56)	9,725,395.55	(19,235,750.85)	24,379,053.00
Deferred tax liabilities	(42,481,545.56)	43,902,584.01	(19,235,750.85)	–

16. Bills payable

RMB

Item	31 December 2021	31 December 2020
Commercial acceptance bills	–	35,320,000.00
Bank acceptance bills	1,030,117,754.13	725,251,374.89
Total	1,030,117,754.13	760,571,374.89

Note: As at 31 December 2021, the Group had no unpaid overdue bills payable (31 December 2020: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Trade payables

Aging of trade payables is listed as follows:

RMB

Item	31 December 2021	31 December 2020
Within 1 year	799,708,440.67	583,476,064.31
One to two years	21,075,824.34	71,708,489.75
Two to three years	5,529,091.13	4,728,318.51
Over three years	1,386,985.75	2,172,164.07
Total	827,700,341.89	662,085,036.64

As at 31 December 2021, trade payables aged over one year amounted to RMB27,991,901.22 (31 December 2020: RMB78,608,972.33), primarily consisted of payables for construction and materials. Since the progress of relevant projects had not reached the milestones of payments as agreed in the contract, these trade payables had not been settled.

18. Contract liabilities

RMB

Item	31 December 2021	31 December 2020
Advances for the sale of goods	145,431,889.18	72,158,600.21
Advances for labour	16,595,242.64	12,090,566.90
Total	162,027,131.82	84,249,167.11

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Employee benefits payable

2021:

RMB

Item	1 January 2021	Accrued	Paid	31 December 2021
Short-term benefits	15,142,700.73	489,715,001.82	488,672,904.89	16,184,797.66
Post-employment benefits (defined contribution plans)	–	56,037,271.32	56,037,271.32	–
Total	15,142,700.73	545,752,273.14	544,710,176.21	16,184,797.66

2020:

RMB

Item	1 January 2020	Accrued	Paid	31 December 2020
Short-term benefits	32,358,665.26	403,728,375.40	420,944,339.93	15,142,700.73
Post-employment benefits (defined contribution plans)	–	42,116,486.90	42,116,486.90	–
Total	32,358,665.26	445,844,862.30	463,060,826.83	15,142,700.73

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Employee benefits payable (Continued)

Short-term benefits:

2021:

RMB

Item	1 January 2021	Accrued	Paid	31 December 2021
Salaries, bonuses, allowances and subsidies	4,449,690.48	329,964,020.88	329,831,942.84	4,581,768.52
Staff welfare	–	20,901,992.59	20,901,992.59	–
Social insurance	327,249.84	44,503,975.93	44,606,612.34	224,613.43
Including: Medical insurance	327,249.84	38,500,643.43	38,603,279.84	224,613.43
Work injury insurance	–	2,153,268.16	2,153,268.16	–
Maternity insurance	–	3,850,064.34	3,850,064.34	–
Housing funds	–	27,987,979.05	27,987,979.05	–
Union fund and employee education fund	–	7,870,235.15	7,870,235.15	–
Others	10,365,760.41	58,486,798.22	57,474,142.92	11,378,415.71
Total	15,142,700.73	489,715,001.82	488,672,904.89	16,184,797.66

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Employee benefits payable (Continued)

2020:

RMB

Item	1 January 2020	Accrued	Paid	31 December 2020
Salaries, bonuses, allowances and subsidies	4,537,499.96	267,888,392.06	267,976,201.54	4,449,690.48
Staff welfare	–	21,145,859.46	21,145,859.46	–
Social insurance	15,469,826.88	38,767,138.28	53,909,715.32	327,249.84
Including: Medical insurance	15,469,826.88	37,999,487.17	53,142,064.21	327,249.84
Work injury insurance	–	740,097.36	740,097.36	–
Maternity insurance	–	27,553.75	27,553.75	–
Housing funds	–	25,153,753.81	25,153,753.81	–
Union fund and employee education fund	1,888,308.43	5,358,159.55	7,246,467.98	–
Current portion of post-employment benefits (defined benefit plan)	40,000.00	(5,996.36)	34,003.64	–
Others	10,423,029.99	45,421,068.60	45,478,338.18	10,365,760.41
Total	32,358,665.26	403,728,375.40	420,944,339.93	15,142,700.73

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Employee benefits payable (Continued)

Defined contribution plan:

2021:

RMB

Item	1 January 2021	Accrued	Paid	31 December 2021
Basic pension insurance	–	36,885,318.41	36,885,318.41	–
Unemployment insurance	–	1,662,942.47	1,662,942.47	–
Supplementary pension insurance	–	17,489,010.44	17,489,010.44	–
Total	–	56,037,271.32	56,037,271.32	–

2020:

RMB

Item	1 January 2020	Accrued	Paid	31 December 2020
Basic pension insurance	–	23,400,178.12	23,400,178.12	–
Unemployment insurance	–	1,120,783.66	1,120,783.66	–
Supplementary pension insurance	–	17,595,525.12	17,595,525.12	–
Total	–	42,116,486.90	42,116,486.90	–

Defined contribution plan includes basic pension insurance and unemployment insurance managed by local governments and the Group's supplementary pension insurance. In addition to the monthly payments, the Group is no longer liable for further payments. Relevant expenditures are capitalised or expensed in the period when incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Taxes payable

RMB

Item	31 December 2021	31 December 2020
VAT	10,537,784.03	1,578,404.47
EIT	965,172.82	3,682,928.37
Individual income tax	1,468,596.35	1,044,139.55
Others	1,465,450.56	1,102,826.61
Total	14,437,003.76	7,408,299.00

21. Other payables

RMB

Item	31 December 2021	31 December 2020
Compensation for demolition (Note)	250,000,000.00	250,000,000.00
Others	21,159,367.99	80,271,019.07
Total	271,159,367.99	330,271,019.07

Note: The amount represents the advance payment received from the Xishan District People's Government of Kunming ("Xishan District Government") for demolition and relocation compensation. As no agreement has been reached with the Xishan District Government on the demolition and relocation compensation, the Group temporarily recorded the received amount in other payables.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Provisions

RMB

Item	31 December 2021	31 December 2020	Cause
Product quality assurance	25,794,639.20	10,853,556.45	After-sale service fees
Total	25,794,639.20	10,853,556.45	

23. Share capital

2021:

RMB

Item	1 January 2021	Increase for the year	Decrease for the year	31 December 2021
Share capital	1,519,884,000.00	–	–	1,519,884,000.00
Total	1,519,884,000.00	–	–	1,519,884,000.00

2020:

RMB

Item	1 January 2020	Increase for the year	Decrease for the year	31 December 2020
Share capital	1,519,884,000.00	–	–	1,519,884,000.00
Total	1,519,884,000.00	–	–	1,519,884,000.00

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Capital reserve

2021:

RMB

Item	1 January 2021	Increase for the year	Decrease for the year	31 December 2021
Share premium	3,224,727,994.03	–	–	3,224,727,994.03
Total	3,224,727,994.03	–	–	3,224,727,994.03

2020:

RMB

Item	1 January 2020	Increase for the year	Decrease for the year	31 December 2020
Share premium	3,224,727,994.03	–	–	3,224,727,994.03
Total	3,224,727,994.03	–	–	3,224,727,994.03

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Other comprehensive income

Accumulated balances of other comprehensive income attributable to the parent in the consolidated statement of financial position:

RMB

Item	1 January 2020	Increase/ (decrease)	31 December 2020	Increase/ (decrease)	31 December 2021
Other comprehensive income (loss) not to be reclassified to profit or loss					
Changes due to re-measurement of net liability of defined benefit plans	(12,194,703.81)	(20,000.00)	(12,214,703.81)	–	(12,214,703.81)
Effect of deferred tax from changes in re-measurement of net liability of defined benefit plans	1,829,205.87	3,000.00	1,832,205.87	–	1,832,205.87
Changes in fair value of other equity instrument investments	107,944,334.32	20,294,004.64	128,238,338.96	447,655,858.16	575,894,197.12
Effect of deferred tax from changes in fair value of other equity instrument investments	(16,191,650.15)	(3,044,100.70)	(19,235,750.85)	(67,148,378.72)	(86,384,129.57)
Other comprehensive income (loss) to be reclassified to profit or loss					
Changes in fair value of receivables at FVTOCI	(8,546,036.10)	6,262,203.28	(2,283,832.82)	2,205,992.00	(77,840.82)
Effect of deferred tax from changes in fair value of receivables at FVTOCI	1,281,905.41	(939,330.48)	342,574.93	(330,898.80)	11,676.13
Exchange differences on translation of foreign operations	2,937,601.62	(787,209.22)	2,150,392.40	(2,912,512.99)	(762,120.59)
Total	77,060,657.16	21,768,567.52	98,829,224.68	379,470,059.65	478,299,284.33

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Surplus reserve

2021:

RMB

Item	1 January 2021	Increase for the year	31 December 2021
Statutory surplus reserve (Note)	119,814,594.37	5,815,178.69	125,629,773.06

2020:

RMB

Item	1 January 2020	Increase for the year	31 December 2020
Statutory surplus reserve (Note)	110,814,059.60	9,000,534.77	119,814,594.37

Note: In accordance with the Company Law and the Company's articles of association, the Company appropriated 10% of the net profit after making up for the loss to the surplus reserve. Where the accumulated amount of the surplus reserve reaches 50% of the Company's registered capital, additional appropriation will not be needed. Upon the approval by the general meeting of shareholders, the Company is authorised to allocate the discretionary surplus reserve after the allocation of the statutory surplus reserve. The surplus reserve can be used to offset previous years' losses of the Company, expand production and operation or increase the share capital.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Retained earnings

RMB

Item	2021	2020
Retained earnings at the beginning of the year	488,417,686.76	536,056,858.75
Net profit attributable to the owners of the Company	50,376,153.58	22,156,722.78
Less: Appropriation to statutory surplus reserve	5,815,178.69	9,000,534.77
Cash dividend declared for ordinary shares (Note 1)	—	60,795,360.00
Retained earnings at the end of the year	532,978,661.65	488,417,686.76

Note 1: In accordance with the resolution at the 2020 annual general meeting of shareholders on 28 June 2021, the Company did not declare cash dividend for the year 2020 (2020: cash dividend for the year 2019 of RMB0.04 per share, based on 1,519,884,000 shares in issue, which amounted to RMB60,795,360.00 in total).

Note 2: On 31 December 2021, the surplus reserves appropriated by subsidiaries included in the balance of the Group's retained earnings were RMB35,662,741.98 (31 December 2020: RMB34,451,501.31).

28. Revenue and cost of sales

RMB

Item	2021		2020	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from principal operations	2,158,042,447.39	1,627,612,623.71	1,546,906,199.06	1,108,800,822.59
Other operating revenue	27,903,531.61	13,329,823.06	11,147,623.54	2,627,647.48
Total	2,185,945,979.00	1,640,942,446.77	1,558,053,822.60	1,111,428,470.07

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Revenue and cost of sales (Continued)

(1) Revenue from external customers classified by products

		RMB
	2021	2020
Sales income of mechanical equipment	1,157,328,376.69	595,509,858.04
Maintenance income of railway track maintenance machinery	401,597,225.16	437,488,602.91
Sales income of accessories	439,156,011.71	352,418,342.41
Railway line maintenance service income	72,047,942.51	71,568,432.95
Mechanical design service income	87,912,891.32	89,920,962.75
Others	27,903,531.61	11,147,623.54
Total	2,185,945,979.00	1,558,053,822.60

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Revenue and cost of sales (Continued)

(2) Disaggregation of revenue

2021:

RMB

	Sales of mechanical equipment	Maintenance of railway track maintenance machinery	Sales of accessories	Railway line maintenance service	Mechanical design service	Other	Total
Timing of revenue recognition							
Performance obligation fulfilled over time	-	-	-	72,047,942.51	87,912,891.32	-	159,960,833.83
Performance obligation fulfilled at a point in time	1,157,328,376.69	401,597,225.16	439,156,011.71	-	-	27,903,531.61	2,025,985,145.17
Total	1,157,328,376.69	401,597,225.16	439,156,011.71	72,047,942.51	87,912,891.32	27,903,531.61	2,185,945,979.00

2020:

RMB

	Sales of mechanical equipment	Maintenance of railway track maintenance machinery	Sales of accessories	Railway line maintenance service	Mechanical design service	Other	Total
Timing of revenue recognition							
Performance obligation fulfilled over time	-	-	-	71,568,432.95	89,920,962.75	-	161,489,395.70
Performance obligation fulfilled at a point in time	595,509,858.04	437,488,602.91	352,418,342.41	-	-	11,147,623.54	1,396,564,426.90
Total	595,509,858.04	437,488,602.91	352,418,342.41	71,568,432.95	89,920,962.75	11,147,623.54	1,558,053,822.60

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Revenue and cost of sales (Continued)

(3) Performance obligations

Sales of mechanical equipment:

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

Accessories sales:

The Group'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 Group recognises 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 Group adopts the output method to determine the progress of contract performance and recognises 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 Group adopts the output method to determine the progress of contract performance and recognises revenue over time.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Selling and distribution expenses

RMB

Item	2021	2020
Employees' remuneration	55,518,175.24	29,579,826.90
After-sales maintenance fees	22,463,502.51	14,500,218.20
Travel expenses	11,303,666.84	7,263,411.02
Entertainment expenses	7,382,524.18	7,609,197.75
Sales service fee	3,855,376.13	19,589,930.34
Others	12,074,616.22	17,733,371.62
Total	112,597,861.12	96,275,955.83

30. General and administrative expenses

RMB

Item	2021	2020
Employees' remuneration	98,015,093.43	86,319,630.06
Depreciation and amortisation	26,724,431.44	28,954,072.50
Property management fees	8,959,742.56	8,058,629.52
Travel and entertainment expenses	5,861,283.97	6,265,746.47
Others	39,341,123.83	36,071,526.08
Total	178,901,675.23	165,669,604.63

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Research and development expenses

RMB

Item	2021	2020
Employee compensation costs and material costs	180,145,551.93	147,598,521.09

32. Finance costs

RMB

Item	2021	2020
Less: Interest income	38,677,182.49	36,001,118.95
Exchange losses	5,927,047.90	6,605,850.02
Bank charges and others	6,948,571.61	4,484,682.88
Total	(25,801,562.98)	(24,910,586.05)

33. Impairment losses on assets

RMB

Item	2021	2020
Losses from decline in value of inventories	1,746,531.84	793,461.25
Losses from impairment of goodwill (Note V.14)	23,400,000.00	8,580,000.00
Losses from impairment of contract asset	95,877.37	(132,514.88)
Total	25,242,409.21	9,240,946.37

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Credit impairment losses

RMB

Item	2021	2020
Losses from impairment of trade receivables	34,394,046.59	33,337,120.67
Losses from impairment of long-term receivables	741,330.00	259,850.00
Losses from impairment of bill receivables	582,890.29	(686,055.55)
Losses from impairment of other receivables	233,509.44	379,597.77
Total	35,951,776.32	33,290,512.89

35. Income tax expenses

RMB

Item	2021	2020
Current income tax expenses	3,091,695.61	8,403,659.43
Deferred income tax expenses	(8,923,036.06)	(8,422,907.33)
Total	(5,831,340.45)	(19,247.90)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35. Income tax expenses (Continued)

A reconciliation of the income tax expense to total profit is shown as follows:

		RMB
Item	2021	2020
Total profit	44,544,813.13	22,137,474.88
Income tax expense at the statutory tax rate of 25%	11,136,203.28	5,534,368.72
Tax effect of different tax rates applicable to the Company and subsidiaries	846,271.31	1,727,401.76
Effect of non-deductible expenses	8,237,117.63	7,257,296.62
Super deduction of research and development expenses (Note 1)	(25,306,955.24)	(15,115,159.18)
Effect of non-taxable income	(1,102,500.00)	(1,102,500.00)
Others	358,522.57	1,679,344.18
Income tax expense at the Group's effective tax rate	(5,831,340.45)	(19,247.90)

Note 1: Pursuant to the provisions of the Announcement on Further Improving the Policies Regarding Weighted Pre-tax Deduction of Research and Development Expenses (Announcement No. 13 [2021] of the Ministry of Finance and the State Administration of Taxation), with respect to the calculation of taxable income by the Company and its subsidiaries from 1 January 2021, an extra 100% of the amount of R&D expenses that comply with the above provisions and actually incurred is deductible before tax (2020: 75%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Earnings per share

(1) Basic earnings per share

The numerator is calculated as follows:

	RMB	
Item	2021	2020
Net profit attributable to ordinary shareholders	50,376,153.58	22,156,722.78
Numerator used to calculate basic earnings per share	50,376,153.58	22,156,722.78

The denominator is calculated as follows:

	RMB	
Item	2021	2020
Number of ordinary shares in issue at the beginning of the year	1,519,884,000.00	1,519,884,000.00
Add: Weighted number of ordinary shares issued during the year	—	—
Denominator used to calculate basic earnings per share	1,519,884,000.00	1,519,884,000.00

(2) Earnings per share

	RMB	
Item	2021	2020
Basic earnings per share	0.03	0.01

The Company has no dilutive potential ordinary shares and therefore no diluted earnings per share has been reported.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Notes to items in the statement of cash flows

RMB

Item	2021	2020
(1) Cash received from other operating activities:		
Advances	45,506,621.26	54,598,268.00
Demolition compensation (Note V.21)	—	250,000,000.00
Government grants	26,216,191.34	7,839,636.18
Others	25,713,410.67	30,139,365.83
Total	97,436,223.27	342,577,270.01

RMB

Item	2021	2020
(2) Cash paid for other operating activities:		
Advances	133,602,511.66	70,612,550.00
Technical service fee	22,463,502.51	14,500,218.20
Office and travel expenses	15,934,296.95	12,134,795.76
After-sales repair fee	8,034,480.38	15,206,031.45
Others	103,802,357.44	141,266,037.95
Total	283,837,148.94	253,719,633.36

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

RMB

	2021	2020
1. Reconciliation of net profit to cash flows generated from operating activities:		
Net profit	50,376,153.58	22,156,722.78
Add: Impairment losses on assets	25,242,409.21	9,240,946.37
Credit impairment losses	35,951,776.32	33,290,512.89
Depreciation of fixed assets	100,579,761.37	50,234,841.28
Amortisation of intangible assets	16,678,942.06	15,882,721.59
(Gains) losses from disposal of fixed assets, intangible assets and other long-term assets	(414,978.26)	91,236.56
Disposal gains of fixed assets	(4,356.86)	—
Finance costs	(7,338,389.73)	11,090,532.90
Investment income	(4,118,970.76)	(3,787,585.78)
Increase in deferred tax assets	(8,923,036.06)	(8,422,907.33)
Increase in inventories	(771,510,656.55)	(237,170,965.07)
(Increase) decrease in contract assets	(16,418,012.46)	26,514,934.76
Increase in operating receivables	(341,379,439.47)	(29,949,728.16)
Increase in operating payables	513,369,840.77	105,268,521.21
Net cash flows used in operating activities	(407,908,956.84)	(5,560,216.00)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Supplementary information to the statement of cash flows (Continued)

(1) Supplementary information to the statement of cash flows (Continued)

Net changes in cash and cash equivalents:

RMB

Item	2021	2020
Cash at the end of the year	1,178,533,467.98	1,708,335,768.84
Less: Opening balance of cash	1,708,335,768.84	1,832,773,363.46
Net decrease in cash and cash equivalents	(529,802,300.86)	(124,437,594.62)

(2) Cash and cash equivalents

RMB

Item	31 December 2021	31 December 2020
Cash	1,178,533,467.98	1,708,335,768.84
Including: Cash on hand	12,083.65	8,012.59
Bank deposits available for payment	1,178,521,384.33	1,708,327,756.25
Closing balance of cash and cash equivalents	1,178,533,467.98	1,708,335,768.84

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

VI. EQUITY IN OTHER ENTITIES

1. Subsidiaries

(1) Particulars of the principal subsidiaries of the Company are listed as follows:

Subsidiaries acquired through establishment or investment

RMB

Company name	Principal place of business	Place of registration	Nature of business	Registered capital	Shareholding proportion %	
					Direct	Indirect
Beijing Ruiweitong Engineering Machinery Co., Ltd.	Beijing	Beijing	Manufacturing	584,370,622.18	100.00	–
Beijing Kunweitong Railway Mechanization Engineering Co., Ltd.	Kunming	Beijing	Construction	60,000,000.00	100.00	–
CRCC Yukun Limited	Hong Kong	Hong Kong	Investment holding	–	100.00	–
CE cideon engineering GmbH & Co. KG	Germany	Germany	Mechanical design	EUR50,000.00	–	100.00
CE cideon engineering Verwaltungs GmbH	Germany	Germany	Mechanical design	EUR26,000.00	–	100.00
CE cideon engineering Schweiz AG	Switzerland	Switzerland	Mechanical design	CHF160,000.00	–	100.00

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

VII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

1. Financial instruments by category

The carrying amount of each category of financial instruments at the balance sheet date is as follows:

31 December 2021:

Financial assets

RMB

Item	Financial assets measured at amortised cost	Financial assets classified as at FVTOCI	Financial assets designated as at FVTOCI	Total
Bills receivable	212,859,419.01	–	–	212,859,419.01
Trade receivables	2,049,473,797.45	–	–	2,049,473,797.45
Receivables at FVTOCI	–	29,681,169.19	–	29,681,169.19
Other receivables (excluding petty cash)	29,311,646.06	–	–	29,311,646.06
Cash and bank balances	1,178,533,467.98	–	–	1,178,533,467.98
Current portion of non-current assets	50,024,030.00	–	–	50,024,030.00
Other equity instrument investments	–	–	628,866,000.00	628,866,000.00
Total	3,520,202,360.50	29,681,169.19	628,866,000.00	4,178,749,529.69

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

VII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

1. Financial instruments by category (Continued)

The carrying amount of each category of financial instruments at the balance sheet date is as follows:
(Continued)

31 December 2020:

Financial assets (Continued)

RMB

Item	Financial assets measured at amortised cost	Financial assets classified as at FVTOCI	Financial assets designated as at FVTOCI	Total
Bills receivable	24,377,500.00	–	–	24,377,500.00
Trade receivables	1,808,132,938.89	–	–	1,808,132,938.89
Receivables at FVTOCI	–	206,316,536.04	–	206,316,536.04
Other receivables (excluding petty cash)	20,923,860.00	–	–	20,923,860.00
Long-term receivables	220,809,420.73	–	–	220,809,420.73
Cash and bank balances	1,708,335,768.84	–	–	1,708,335,768.84
Current portion of non-current assets	10,394,000.00	–	–	10,394,000.00
Other equity instrument investments	–	–	181,210,141.84	181,210,141.84
Total	3,792,973,488.46	206,316,536.04	181,210,141.84	4,180,500,166.34

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

VII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

1. Financial instruments by category (Continued)

The carrying amount of each category of financial instruments at the balance sheet date is as follows:
(Continued)

Financial liabilities

RMB

Item	31 December 2021	31 December 2020
Bills payable	1,030,117,754.13	760,571,374.89
Trade payables	827,700,341.89	662,085,036.64
Other payables	271,159,367.99	330,271,019.07
Other current liabilities	—	292,285.82
Total	2,128,977,464.01	1,753,219,716.42

2. Transfer of financial assets

Transferred financial assets that are derecognised but continuously involved

As at 31 December 2021, the Group had discounted or endorsed undue bank acceptance bills with a carrying amount of RMB367,892,924.65 (31 December 2020: RMB45,360,000.00). As at 31 December 2021, its maturity date is 1 to 12 months. According to the relevant provisions of the Law of Negotiable Instruments, if the accepting bank refuses to pay, its holders have the right to recourse from the Group (the “**Continuing Involvement**”). The Group believes that the Group has transferred substantially all risks and rewards related to the bills, and therefore derecognised the book value of the bills and the related trade payables that had been settled by the bills. The maximum losses and undiscounted cash flows that continue to be involved in and repurchase are equal to their book values. The Group believes that continuing involvement in fair value is not significant.

In 2021, the Group recognised losses of RMB291,029.24 (2020: RMB100,833.33) at the date of their transfer. The Group had no current or accumulated gains or expenses related to continuing involvement of financial assets which had been derecognised. The endorsement happens evenly throughout the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

VII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

3. Financial instrument risks

The Group's major financial instruments include cash and bank balances, bills receivable, receivables at FVTOCI, trade receivables, other receivables, long-term receivables, current portion of non-current assets, bills payable, trade payables and other equity instrument investments. For information on the financial instruments held by the Group at the end of the year, please see Note VII.1. The risks associated with these financial instruments and the risk management policies adopted by the Group to mitigate these risks are described below.

The major risks from the Group's financial instruments are interest rate risk, foreign exchange risk, credit risk, liquidity risk and market risk. In general, the management of the Company will hold meetings from time to time to analyse and make plans to manage these risks. Besides, the Board of the Company will hold meetings from time to time to discuss and approve the suggestions from the management of the Company. Generally, the Group introduces conservative strategies in risk management. As these risks for the Group are kept at a low level, the Group does not use any derivative instrument and other instruments to hedge these risks in the whole year, and does not hold or issue derivative financial instruments for trading.

Interest rate risk

The Group's risk exposure to changes in cash flow of financial instruments due to changes in interest rates is mainly related to the interest rates announced by the People's Bank of China.

The Group is exposed to cash flow interest rate risk as the prevailing market interest rates for cash and cash equivalents are subject to fluctuations in interest rates announced by the People's Bank of China. The Board considers that fluctuations in interest rates have not had a significant impact on cash and cash equivalents, therefore no sensitivity analysis of cash and cash equivalents is presented.

As at 31 December 2021 and 31 December 2020, the Group had no balance of interest-bearing borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

VII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

3. Financial instrument risks (Continued)

Foreign currency risk

Foreign currency risk refers to the risk of loss due to changes in exchange rates. The Group's assets denominated in foreign currencies are mainly trade receivables. As at 31 December 2021, the Group has no foreign exchange hedging policy, but the management of the Company has implemented monitoring of foreign currency risks. The Group is mainly affected by fluctuations in the exchange rate of the USD against the RMB.

The following table demonstrates the sensitivity analysis of foreign currency rate, reflecting the effect of a reasonably possible change in exchange rates on net profit or loss and shareholder's equity net of tax, with all other variables held constant.

2021:

			RMB
Item	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in total shareholder's equity
If RMB strengthens against USD	-5%	(9,324,674.41)	(9,324,674.41)
If RMB weakens against USD	+5%	9,324,674.41	9,324,674.41

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

VII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

3. Financial instrument risks (Continued)

Foreign currency risk (Continued)

2020:

Item	RMB		
	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in total shareholder's equity
If RMB strengthens against USD	-5%	(6,177,094.43)	(6,177,094.43)
If RMB weakens against USD	+5%	6,177,094.43	6,177,094.43

The sensitivity analysis above has been determined assuming that the changes in foreign exchange rates had occurred as at 31 December 2021 and the exposure to foreign currency risk has been applied to those monetary assets and liabilities in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in foreign exchange rates from the end of the year until the balance sheet date of the next year.

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the balances and collection of bill receivables, trade receivables, long-term receivables and contract assets are monitored on an ongoing basis to ensure that the Group's exposure to credit loss is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the department of credit control in the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

VII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

3. Financial instrument risks (Continued)

Credit risk (Continued)

The Group's policy is to review collections of financial assets at each balance sheet date to ensure sufficient provisions for estimated credit loss have been made for relevant financial assets.

Other financial assets of the Group include cash and bank balances, bills receivable, receivables at FVTOCI, other receivables, current portion of non-current assets and long-term receivables. Credit risk of such financial assets is resulted from defaults of counterparties. The largest risk exposure equals to the carrying amount of these instruments. Substantially all of the Group's cash and bank balances are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limit the amount of credit exposure to any single financial institution.

The Group adopts the provision matrix based on portfolio to assess the expected credit losses of trade receivables, except for trade receivables that are individually significant and credit-impaired. The Group's trade receivables involve a large number of customers. Aging information may reflect these customers' solvency in regard of such trade receivables. According to the credit risk characteristics of different types of customers, trade receivables are divided into several groups. The Group calculates the historical actual loss rate of different aging periods based on historical data, taking into consideration of the forward-looking information like growth rate of GDP and CPI, and makes adjustments to estimate the provision rate. For contract assets and long-term receivables, the Group comprehensively considers billing period, contractual payment period and the debtor's financial position, takes into account the above forward-looking information and makes adjustments, and works out reasonable assessment on ECL. For other financial assets, the Group calculates ECL through default exposure and the expected credit loss rate for the next 12 months or the full lifetime. During the year, the Group is of the view that there is no significant change in the above forward-looking information.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

VII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

3. Financial instrument risks (Continued)

Credit risk (Continued)

As at 31 December 2021, balance of trade receivables from the Group's five major customers was RMB708,658,249.18 (31 December 2020: RMB622,440,425.68), accounting for 31.66% of the Group's trade receivables balance (31 December 2020: 31.71%). In addition, the Group had no other significant credit risk exposure concentrated in a single financial asset or financial asset portfolio with similar characteristics.

As at 31 December 2021, the credit risk exposure and expected credit losses of trade receivables are disclosed as follows:

RMB

	Gross carrying amount		Total
	Not credit impaired	Credit impaired	
31 December 2021	2,106,809,650.02	131,574,716.62	2,238,384,366.64

	Credit impairment losses		Total
	Not credit impaired	Credit impaired	
1 January 2021	89,897,045.68	64,619,476.92	154,516,522.60
Provision for the year	24,209,509.54	31,781,201.24	55,990,710.78
Reversal for the year	21,596,664.19	–	21,596,664.19
31 December 2021	92,509,891.03	96,400,678.16	188,910,569.19

For information on the ECL amount and credit risk exposure of bill receivables, other receivables, long-term receivables (including those due within one year), please see Note V.2, 6 and 10.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

VII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

3. Financial instrument risks (Continued)

Liquidity risk

The Group monitors its risk of deficiency of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and estimated cash flows from the Group's operations.

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Due to the capital intensive nature of the Group's businesses, the Group ensures that it maintains sufficient cash and credit facility to meet its liquidity requirements.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its future operating and other expenditure. With regard to its future operating and other financing requirements, as at 31 December 2021, the Group already had banking facilities of RMB4,550,000,000.00 (31 December 2020: RMB5,250,000,000.00) from financial institution including a number of PRC banks, of which RMB1,980,593,923.74 has been utilised (31 December 2020: RMB1,256,513,404.53).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

VII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

3. Financial instrument risks (Continued)

Liquidity risk (Continued)

The table below summarizes the maturity profile of the Group's financial liabilities based on the undiscounted contractual cash flows:

RMB

Item	31 December 2021	
	Within 1 year	Total
Bills payable	1,030,117,754.13	1,030,117,754.13
Trade payables	827,700,341.89	827,700,341.89
Other payables	271,159,367.99	271,159,367.99
Total	2,128,977,464.01	2,128,977,464.01

RMB

Item	31 December 2020	
	Within 1 year	Total
Bills payable	760,571,374.89	760,571,374.89
Trade payables	662,085,036.64	662,085,036.64
Other payables	330,271,019.07	330,271,019.07
Other current liabilities	292,285.82	292,285.82
Total	1,753,219,716.42	1,753,219,716.42

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

VII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

3. Financial instrument risks (Continued)

Other price risk

As at 31 December 2021, the Group is mainly exposed to the price risk arising from the investment in individual equity instruments classified as investments in other equity instruments (Note V. 9).

The table below illustrates the effect of a reasonably possible change in share price on the Group's other comprehensive income net of tax, assuming all other variables are held constant.

2021:

RMB

Item	Change in share price	Increase/(decrease) in other comprehensive income net of tax	Total increase/(decrease) in shareholders' equity
Other equity instrument investment	Rise of 10% in share price	53,453,610.00	53,453,610.00
	Decline of 10% in share price	(53,453,610.00)	(53,453,610.00)

2020:

RMB

Item	Change in share price	Increase/(decrease) in other comprehensive income net of tax	Total increase/(decrease) in shareholders' equity
Other equity instrument investment	Rise of 10% in share price	15,402,862.06	15,402,862.06
	Decline of 10% in share price	(15,402,862.06)	(15,402,862.06)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

VII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Continued)

4. Capital management

The Group's primary objectives for capital management are to safeguard the Group's ability to continue as a going concern and keep the capital ratio at a healthy level, so that it can support business development and maximise the value of shareholders.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or sell assets to reduce debts. The Group is not subject to external mandatory capital requirements. No changes were made in the objectives, policies or processes for managing capital during 2021 and 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity after adjustment plus net debt. Net debt includes bills payable, trade payables and other payables less cash and bank balances. Total equity comprises equity attributable to owners of the Company. The gearing ratios of the Group at each balance sheet date are listed as follows:

RMB

Item	31 December 2021	31 December 2020
Bills payable	1,030,117,754.13	760,571,374.89
Trade payables	827,700,341.89	662,085,036.64
Other payables	271,159,367.99	330,271,019.07
Other current liabilities	–	292,285.82
Less: Cash and bank balances	1,178,533,467.98	1,708,335,768.84
Net debt	950,443,996.03	44,883,947.58
Attributable to shareholders' equity of the Company	5,881,519,713.07	5,451,673,499.84
Total equity	5,881,519,713.07	5,451,673,499.84
Total equity and net debt	6,831,963,709.10	5,496,557,447.42
Gearing ratio	13.91%	0.82%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

VIII. DISCLOSURE OF FAIR VALUE

1. Fair values of assets and liabilities measured at fair value

RMB

31 December 2021

	Quoted prices in active markets (Level 1)	Inputs of fair value measurement		Total
		Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Receivables at FVTOCI (Note 1)	–	29,681,169.19	–	29,681,169.19
Other equity instrument investments (Note 2)	–	–	628,866,000.00	628,866,000.00
Sum of assets under continuous measurement of fair value	–	29,681,169.19	628,866,000.00	658,547,169.19

RMB

31 December 2020

	Quoted prices in active markets (Level 1)	Inputs of fair value measurement		Total
		Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Receivables at FVTOCI (Note 1)	–	206,316,536.04	–	206,316,536.04
Other equity instrument investments (Note 2)	–	–	181,210,141.84	181,210,141.84
Sum of assets under continuous measurement of fair value	–	206,316,536.04	181,210,141.84	387,526,677.88

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

VIII. DISCLOSURE OF FAIR VALUE (Continued)

1. Fair values of assets and liabilities measured at fair value (Continued)

Note 1: The fair value of receivables at FVTOCI is determined using the discounted cash flow method, using discount rates for bank acceptance bills in the same term as the discount rate.

Note 2: Investment in other equity instruments refers to the equity interests of a listed company held by the Group. The listed company was listed on the Hong Kong Stock Exchange on 20 December 2006, and the equity interests held by the Group are unlisted state-owned legal person shares. The listed company was listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange on 7 September 2021. According to the relevant provisions of the Company Law of the People's Republic of China, the above equity interests held by the Group will be released of the restriction on circulation on the Science and Technology Innovation Board of the Shanghai Stock Exchange after the expiration of 12 months from the date of listing of the A shares of the listed company. Accordingly, the fair value of other equity instrument investments was measured based on the quoted market price of the Hong Kong Stock Exchange as at 31 December 2020, and based on the quoted market price of the Science and Technology Innovation Board as at 31 December 2021, both taking into account the corresponding liquidity discount.

Movement of items measured at fair value at Level 3:

RMB

Item	1 January 2021	Included in other comprehensive income	31 December 2021
Financial assets designated at FVTOCI			
Other equity instrument investments	181,210,141.84	447,655,858.16	628,866,000.00
Total	181,210,141.84	447,655,858.16	628,866,000.00

RMB

Item	1 January 2020	Included in other comprehensive income	31 December 2020
Financial assets designated at FVTOCI			
Other equity instrument investments	160,916,137.20	20,294,004.64	181,210,141.84
Total	160,916,137.20	20,294,004.64	181,210,141.84

During 2021 and 2020, there was no inter-transfer between levels of the Group's financial assets measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

VIII. DISCLOSURE OF FAIR VALUE (Continued)

2. Fair value of financial assets and liabilities that are not measured at fair values

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the financial statements approximate to their fair values except the following items:

RMB

Item	Carrying amount		Fair values	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Long-term receivables	—	220,809,420.73	—	221,779,496.32

Fair value of long-term receivables is determined using discounted cash flow method using the discount rate determined with reference to current market interest rates of financial assets with similar contractual terms, credit risk and remaining maturity, and is classified as fair value at Level 2.

IX. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES

1. The parent company

Name of the parent company	Place of registration	Nature of business	Registered capital	Percentage of shareholding in the Company (%)	Percentage of voting rights in the Company (%)
China Railway Construction Corporation Limited	Beijing	Engineering construction contracting, etc.	RMB13,579.54 million	65	65

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

IX. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

2. Subsidiaries

For details of the subsidiaries of the Company, please refer to Note VI.

3. Other related parties

Company name	Related party relationship
China Railway 11th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 12th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 14th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 15th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 16th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 17th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 18th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 20th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 21st Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 22nd Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 23rd Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 24th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway 25th Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway Construction Electrification Bureau Group Co., Ltd.	Controlled by the same parent company as the Company
China Railway Construction Heavy Industry Corporation Limited	Controlled by the same parent company as the Company
China Civil Engineering Construction Corporation	Controlled by the same parent company as the Company
CRCC Finance Company Limited	Controlled by the same parent company as the Company
China Railway Construction South China Construction Co., Ltd.	Controlled by the same parent company as the Company
CRCC Financial Leasing Co., Ltd.	An associate of the parent company of the Company
CRCC Xinjiang Jingxin Expressway Co., Ltd.	An associate of the company controlled by the same parent company as the Company

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

IX. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

4. Major transactions between the Group and related parties

RMB

Item		2021	2020
(1)	Sales income of mechanical equipment <i>Note 1</i>		
	China Railway Construction Heavy Industry Corporation Limited	306,772,626.87	167,038,904.31
	China Civil Engineering Construction Corporation	35,132,743.37	62,884,955.74
	CRCC Xinjiang Jingxin Expressway Co., Ltd.	13,256,637.12	–
	CRCC Financial Leasing Co., Ltd.	–	45,991,150.45
	Total	355,162,007.36	275,915,010.50
(2)	Sales income of accessories <i>Note 1</i>		
	China Civil Engineering Construction Corporation	4,601,645.12	5,014,797.33
	China Railway 20th Bureau Group Co., Ltd.	797,896.15	284,678.47
	China Railway 16th Bureau Group Co., Ltd.	494,101.89	–
	China Railway 14th Bureau Group Co., Ltd.	115,044.24	–
	China Railway 18th Bureau Group Co., Ltd.	47,037.17	–
	China Railway 12th Bureau Group Co., Ltd.	–	43,044.73
	China Railway Construction Electrification Bureau Group Co., Ltd.	–	14,720.97
	China Railway 15th Bureau Group Co., Ltd.	–	12,359.73
	Total	6,055,724.57	5,369,601.23

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

IX. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

4. Major transactions between the Group and related parties (Continued)

RMB

Item		2021	2020
(3)	Railway line maintenance service income China Railway 11th Bureau Group Co., Ltd.	2,575,718.26	4,282,911.33
	Total	2,575,718.26	4,282,911.33
(4)	Machinery maintenance service income China Railway 11th Bureau Group Co., Ltd.	–	4,424,778.76
	Total	–	4,424,778.76
(5)	Design service income China Railway Construction Heavy Industry Corporation Limited	–	8,749,560.21
	Total	–	8,749,560.21
(6)	Other income China Railway 20th Bureau Group Co., Ltd.	–	28,301.89
	Total	–	28,301.89
(7)	Expenses for receipt of services or purchase of goods China Railway 20th Bureau Group Co., Ltd. China Railway 14th Bureau Group Co., Ltd. China Railway Construction Heavy Industry Corporation Limited	53,782,098.04 3,477,591.40 229,283.62	– 7,518,367.05 1,243,952.53
	Total	57,488,973.06	8,762,319.58

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

IX. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

4. Major transactions between the Group and related parties (Continued)

RMB

Item	2021	2020
(8) Fees for issuing bills payable CRCC Finance Company Limited	–	28,212.13
Total	–	28,212.13
(9) Interest income from deposits CRCC Finance Company Limited	567,472.87	877,648.18
Total	567,472.87	877,648.18
(10) Equipment leasing expense – as the lessee China Railway Construction Heavy Industry Corporation Limited	328,112.07	–
Total	328,112.07	–
(11) Property rental income – as the lessor China Railway Construction Heavy Industry Corporation Limited	880,733.94	–
Total	880,733.94	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

IX. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

4. Major transactions between the Group and related parties (Continued)

(1) Key management's remuneration

RMB

Item	2021	2020
Key management's remuneration	8,693,601.35	8,711,126.58

Note 1: The terms of the sales agreements of goods entered into by the Group and related parties were mutually agreed by the parties.

Note 2: The terms of the agreements relating to rendering other services entered into by the Group and related parties were mutually agreed by the parties.

Note 3: The terms of the purchase agreements of goods and services entered into by the Group and related parties were mutually agreed by the parties.

Note 4: The above related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

IX. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

5. Balance of receivables and payables of related parties

RMB

		31 December 2021		31 December 2020	
		Book balance	Provisions for credit loss	Book balance	Provisions for credit loss
Cash and bank balances					
CRCC Finance Company Limited	Note 1	35,022,775.18	–	40,161,933.53	–
Total		35,022,775.18	–	40,161,933.53	–
Bills receivable	Note 2				
China Railway Construction Heavy Industry Corporation Limited		56,363,001.00	56,363.00	–	–
China Civil Engineering Construction Corporation		34,045,437.00	34,045.44	–	–
Total		90,408,438.00	90,408.44	–	–
Trade receivables	Note 2				
China Civil Engineering Construction Corporation		26,604,189.46	26,604.19	87,879,681.60	1,157,106.93
China Railway 22nd Bureau Group Co., Ltd.		8,300,000.00	8,300.00	10,920,533.87	2,066,710.95
China Railway 16th Bureau Group Co., Ltd.		4,626,443.62	4,626.44	7,626,443.62	324,123.85
China Railway Construction South China Construction Co., Ltd.		2,103,055.02	2,103.06	4,206,110.42	178,759.69
CRCC Xinjiang Jingxin Expressway Co., Ltd.		1,840,100.00	1,840.10	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

IX. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

5. Balance of receivables and payables of related parties (Continued)

RMB

	31 December 2021		31 December 2020	
	Book balance	Provisions for credit loss	Book balance	Provisions for credit loss
Trade receivables (Continued)				
China Railway 23rd Bureau Group Co., Ltd.	1,483,993.00	1,483.99	1,503,993.00	1,464,427.06
China Railway Construction Heavy Industry Corporation Limited	919,674.98	919.67	188,731,322.49	1,415,484.91
China Railway Construction Electrification Bureau Group Co., Ltd.	276,106.19	276.11	291,771.19	2,188.28
China Railway 12th Bureau Group Co., Ltd.	150,000.00	150.00	10,236,475.20	434,210.36
China Railway 14th Bureau Group Co., Ltd.	130,000.00	130.00	–	–
China Railway 20th Bureau Group Co., Ltd.	120,747.00	120.75	161,781.00	1,213.36
China Railway 11th Bureau Group Co., Ltd.	103,540.06	103.54	7,259,798.60	75,812.02
China Railway 18th Bureau Group Co., Ltd.	53,152.00	53.15	–	–
China Railway 21st Bureau Group Co., Ltd.	–	–	420,000.00	420,000.00
China Railway 15th Bureau Group Co., Ltd.	–	–	13,966.51	104.75
Total	46,711,001.33	46,711.00	319,251,877.50	7,540,142.16

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

IX. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

5. Balance of receivables and payables of related parties (Continued)

RMB

		31 December 2021		31 December 2020	
		Book balance	Provisions for credit loss	Book balance	Provisions for credit loss
Receivables at FVTOCI	<i>Note 2</i>				
China Railway 16th					
Bureau Group Co., Ltd.		-	-	1,495,403.15	-
Total		-	-	1,495,403.15	-
Current portion of non-current assets					
CRCC Financial Leasing Co., Ltd.		51,970,000.00	1,945,970.00	-	-
Total		51,970,000.00	1,945,970.00	-	-
Long-term receivables					
CRCC Financial Leasing Co., Ltd.		-	-	51,970,000.00	389,775.00
Total		-	-	51,970,000.00	389,775.00

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

IX. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

5. Balance of receivables and payables of related parties (Continued)

RMB

		31 December 2021	31 December 2020
Bills payable	Note 2		
China Railway 20th Bureau Group Co., Ltd.		16,629,297.78	–
China Railway Construction Heavy Industry Corporation Limited		182,016.08	–
CRCC Finance Company Limited		–	58,473,633.43
Total		16,811,313.86	58,473,633.43
Trade payables	Note 2		
China Railway 20th Bureau Group Co., Ltd.		36,103,216.79	–
China Railway 14th Bureau Group Co., Ltd.		1,413,623.03	4,685,099.10
China Railway Construction Heavy Industry Corporation Limited		452,434.65	34,195.04
Total		37,969,274.47	4,719,294.14
Contract liabilities	Note 3		
China Railway 24th Bureau Group Co., Ltd.		2,000,000.00	2,000,000.00
China Railway 14th Bureau Group Co., Ltd.		1,800,000.00	1,800,000.00
China Railway 11th Bureau Group Co., Ltd.		424,281.74	
China Railway 20th Bureau Group Co., Ltd.		–	230,191.50
Total		4,224,281.74	4,030,191.50

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

IX. RELATIONSHIPS AND TRANSACTIONS WITH RELATED PARTIES (Continued)

5. Balance of receivables and payables of related parties (Continued)

Note 1: The fund is deposited by the Group in CRCC Finance Company Limited, a subsidiary of the controlling shareholder, China Railway Construction Corporation Limited. According to the Accounting Standards for Business Enterprises Interpretation No. 15, it should be presented in the item of cash and bank balances because it is directly deposited into the financial company by a member of the Group without being aggregated into the account of the parent of the Group.

Note 2: These receivables from and payables to related parties are non-interest-bearing, unsecured and have no fixed repayment term.

Note 3: This amount is mainly related to the contract-related payments received by the Group from related parties in advance, which is non-interest-bearing.

X. COMMITMENTS AND CONTINGENCIES

1. Capital commitments

Contracted but not yet recognised in the financial statements:

RMB

	31 December 2021	31 December 2020
Commitments to acquire fixed assets	13,912,510.75	43,234,000.00
Total	13,912,510.75	43,234,000.00

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

X. COMMITMENTS AND CONTINGENCIES (Continued)

2. Operating lease commitments

(1) As the lessor

RMB

	31 December 2021	31 December 2020
The 1st year after the balance sheet date	2,427,934.25	2,424,603.00
The 2nd year after the balance sheet date	2,511,708.25	2,427,934.25
The 3rd year after the balance sheet date	2,475,877.00	2,511,708.25
The 4th year after the balance sheet date	2,475,877.00	2,475,877.00
The 5th year after the balance sheet date	1,237,938.50	2,475,877.00
Total	11,129,335.00	12,315,999.50

3. Contingencies

As of 31 December 2021, the Group had no contingencies that need to be disclosed.

XI. EVENTS AFTER THE BALANCE SHEET DATE

1. Proposed Distribution of Dividends

At the 23rd meeting of the second session of the Board held on 30 March 2022, the Board proposed to distribute cash dividends of RMB0.01 per share to all the shareholders of the Company, and based on the total issued shares of 1,519,884,000, totalling RMB15,198,840. The proposal is subject to approval at the general meeting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XII. OTHER IMPORTANT MATTERS

1. Segment reporting

Operating segments

The Group is mainly engaged in the manufacture of products in the large-scale railway track maintenance machinery industry and the provision of related services. The management determines the reporting segments based on the Group's internal organizational structure, management requirements and internal reporting system, under which, the management decides to allocate resources and evaluate the performance. Relevant internal reports are disclosed in accordance with the accounting policies and measurement basis used when reporting to the management, and such accounting policies and measurement basis are consistent with those used for the preparation of these financial statements. Since the resource allocation and performance evaluation of the Group 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 Group, no segment reporting information is presented separately.

Other information

(1) *Revenue from external transactions by product*

		RMB
	2021	2020
Revenue from sales of mechanical equipment	1,157,328,376.69	595,509,858.04
Revenue from maintenance of railway track maintenance machinery	401,597,225.16	437,488,602.91
Revenue from sales of accessories	439,156,011.71	352,418,342.41
Revenue from railway line maintenance services	72,047,942.51	71,568,432.95
Revenue from mechanical design services	87,912,891.32	89,920,962.75
Others	27,903,531.61	11,147,623.54
Total	2,185,945,979.00	1,558,053,822.60

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XII. OTHER IMPORTANT MATTERS (Continued)

1. Segment reporting (Continued)

Other information (Continued)

(2) Revenue from external transactions by origin of revenue

RMB

	2021	2020
Mainland China	1,950,501,444.41	1,300,941,095.88
Other regions or countries	235,444,534.59	257,112,726.72
Total	2,185,945,979.00	1,558,053,822.60

(3) Non-current assets by location of assets

RMB

	31 December 2021	31 December 2020
Mainland China	1,672,945,387.14	1,398,053,567.42
Other regions or countries	46,920,058.82	69,763,641.26
Total	1,719,865,445.96	1,467,817,208.68

Non-current assets are based on the region where the assets are located, and do not include financial assets and deferred income tax assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XII. OTHER IMPORTANT MATTERS (Continued)

1. Segment reporting (Continued)

Other information (Continued)

(4) Information about major customers

The information of customers who accounted for 10% or more of the Group's revenue for 2021 and 2020 is as follows:

	2021		2020	
	Amount	Percentage of revenue	Amount	Percentage of revenue
China State Railway Group Co., Ltd.	323,141,592.94	14.78%	N/A*	N/A*
China Railway Construction Heavy Industry Corporation Limited	307,653,360.81	14.07%	175,751,145.97	11.28%
Total	630,794,953.75	28.85%	175,751,145.97	11.28%

* The proportion of revenue to the Group's revenue does not exceed 10%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XII. OTHER IMPORTANT MATTERS (Continued)

2. Other financial information

(1) Directors' and supervisors' remuneration

RMB

Item	2021	2020
Salaries, housing welfare and other allowances and physical benefits	868,960.00	953,576.00
Performance bonus	1,601,890.00	2,053,314.00
Defined contribution plan	100,625.46	80,124.36
Total	2,571,475.46	3,087,014.36

Name and remuneration of independent non-executive Directors for the current year are as follows:

RMB

Item	2021	2020
Independent non-executive Directors		
Mr. Sun Linfu	98,000.00	98,000.00
Mr. Yu Jiahe	98,000.00	98,000.00
Mr. Wong Hin Wing	98,000.00	98,000.00
Total	294,000.00	294,000.00

The fees of the above independent non-executive Directors represent remuneration paid in respect of their services as directors of the Company. There was no other remuneration payable to the independent non-executive directors during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XII. OTHER IMPORTANT MATTERS (Continued)

2. Other financial information (Continued)

(1) Directors' and supervisors' remuneration (Continued)

Name and remuneration of Directors and supervisors for the current year are as follows:

2021

RMB

Item	Salaries, housing welfare and other allowances and physical benefits	Performance bonus	Defined contribution plan	Total remuneration
<i>Executive Director</i>				
Mr. Tong Pujiang	189,000.00	814,464.00	36,195.84	1,039,659.84
Mr. Chen Yongxiang	189,000.00	408,374.00	36,195.84	633,569.84
Mr. Liu Feixiang	—	—	—	—
Sub-total	378,000.00	1,222,838.00	72,391.68	1,673,229.68
<i>Non-executive Director</i>				
Mr. Zhao Hui	—	—	—	—
Mr. Sha Mingyuan	—	—	—	—
Sub-total	—	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XII. OTHER IMPORTANT MATTERS (Continued)

2. Other financial information (Continued)

(1) Directors' and supervisors' remuneration (Continued)

Name and remuneration of Directors and supervisors for the current year are as follows:
(Continued)

RMB

Item	Salaries, housing welfare and other allowances and physical benefits	Performance bonus	Defined contribution plan	Total remuneration
<i>Independent non-executive Director</i>				
Mr. Sun Linfu	98,000.00	—	—	98,000.00
Mr. Yu Jiahe	98,000.00	—	—	98,000.00
Mr. Wong Hin Wing	98,000.00	—	—	98,000.00
Sub-total	294,000.00	—	—	294,000.00
<i>Supervisor</i>				
Mr. Yu Qiuhua	196,960.00	379,052.00	28,233.78	604,245.78
Mr. Wang Huaming	—	—	—	—
Mr. Zhong Xiangjun	—	—	—	—
Sub-total	196,960.00	379,052.00	28,233.78	604,245.78
Total	868,960.00	1,601,890.00	100,625.46	2,571,475.46

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XII. OTHER IMPORTANT MATTERS (Continued)

2. Other financial information (Continued)

(1) Directors' and supervisors' remuneration (Continued)

Name and remuneration of Directors and supervisors in 2020 are as follows:

RMB

Item	Salaries, housing welfare and other allowances and physical benefits	Performance bonus	Defined contribution plan	Total remuneration
<i>Executive Director</i>				
Mr. Tong Pujiang	191,000.00	1,219,695.00	26,083.20	1,436,778.20
Mr. Chen Yongxiang	192,000.00	465,116.00	26,083.20	683,199.20
Mr. Liu Feixiang	—	—	—	—
Sub-total	383,000.00	1,684,811.00	52,166.40	2,119,977.40
<i>Non-executive Director</i>				
Mr. Wu Zhixu (Note 1)	46,150.00	—	—	46,150.00
Mr. Zhao Hui	—	—	—	—
Mr. Sha Mingyuan	—	—	—	—
Sub-total	46,150.00	—	—	46,150.00

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XII. OTHER IMPORTANT MATTERS (Continued)

2. Other financial information (Continued)

(1) Directors' and supervisors' remuneration (Continued)

RMB

Item	Salaries, housing welfare and other allowances and physical benefits	Performance bonus	Defined contribution plan	Total remuneration
<i>Independent non-executive</i>				
<i>Director</i>				
Mr. Sun Linfu	98,000.00	—	—	98,000.00
Mr. Yu Jiahe	98,000.00	—	—	98,000.00
Mr. Wong Hin Wing	98,000.00	—	—	98,000.00
Sub-total	294,000.00	—	—	294,000.00
<i>Supervisor</i>				
Mr. Yu Qiuhua	213,246.00	368,503.00	25,532.04	607,281.04
Mr. Wang Shuchuan (Note 2)	17,180.00	—	2,425.92	19,605.92
Mr. Wang Huaming	—	—	—	—
Mr. Zhong Xiangjun	—	—	—	—
Sub-total	230,426.00	368,503.00	27,957.96	626,886.96
Total	953,576.00	2,053,314.00	80,124.36	3,087,014.36

Note 1: Mr. Wu Zhixu ceased to hold his positions as a non-executive director of the Company from 3 August 2020.

Note 2: Mr. Wang Shuchuan ceased to hold his positions as a representative supervisor of shareholders of the Company from 7 May 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XII. OTHER IMPORTANT MATTERS (Continued)

2. Other financial information (Continued)

(1) Directors' and supervisors' remuneration (Continued)

Top 5 paid employees

The analysis of top 5 paid employees of the Group for the year is as follows:

Item	2021	2020
Director	1	1
Employee that is neither a director nor a supervisor	4	4
Total	5	5

Details of remuneration of the above employees that are neither directors nor Supervisors:

RMB

Item	2021	2020
Salaries, housing welfare and other allowances and physical benefits	3,881,742.76	3,973,512.27
Performance bonus	976,783.13	998,416.87
Defined contribution plan	—	—
Total	4,858,525.89	4,971,929.14

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XII. OTHER IMPORTANT MATTERS (Continued)

2. Other financial information (Continued)

(1) Directors' and supervisors' remuneration (Continued)

Top 5 paid employees (Continued)

The number of employees who are neither directors nor supervisors and have the following remuneration ranges is as follows:

Item	2021	2020
HKD0 to HKD1,000,000 (including HKD1,000,000)	–	1
HKD1,000,000 to HKD1,500,000 (including HKD1,500,000)	2	2
HKD1,500,000 to HKD2,000,000 (including HKD2,000,000)	2	1
Total	4	4

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Trade receivables

The aging analysis of trade receivables is as follows:

RMB

Aging	31 December 2021	31 December 2020
Within one year	1,598,068,179.15	1,212,858,155.45
One year to two years	145,571,640.77	269,124,195.72
Two years to three years	117,389,521.45	92,140,754.85
Over three years	235,426,974.37	205,991,779.08
Sub-total	2,096,456,315.74	1,780,114,885.10
Less: Provisions for credit loss	168,709,296.05	133,170,993.58
Total	1,927,747,019.69	1,646,943,891.52

The changes in the provisions for credit loss of trade receivables are set out as follows:

RMB

Item	2021	2020
Balance at the beginning of the year	133,170,993.58	108,797,741.70
Provisions during the year	47,418,795.73	35,735,231.99
Less: the reversal during the year	11,880,493.26	11,361,980.11
Balance at the end of the year	168,709,296.05	133,170,993.58

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Trade receivables (Continued)

The trade receivables and the provisions for credit loss in 2021 are disclosed by category as follows:

RMB

Category	Book balance		31 December 2021 Provisions for credit loss		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	
Provisions for credit loss assessed individually	129,400,000.00	6.17	94,225,961.54	72.82	35,174,038.46
Provisions for credit loss assessed by portfolio of credit risk characteristics	1,967,056,315.74	93.83	74,483,334.51	3.79	1,892,572,981.23
Portfolio I	1,493,334,787.66	71.23	21,169,726.57	1.42	1,472,165,061.09
Portfolio II	284,099,169.09	13.55	46,306,915.21	16.30	237,792,253.88
Portfolio III	35,793,414.37	1.71	6,237,548.00	17.43	29,555,866.37
Portfolio IV	153,828,944.62	7.34	769,144.73	0.50	153,059,799.89
Total	2,096,456,315.74	100.00	168,709,296.05	8.05	1,927,747,019.69

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Trade receivables (Continued)

The trade receivables and the provisions for credit loss in 2020 are disclosed by category as follows:

RMB

Category	Book balance		31 December 2020 Provisions for credit loss		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	
Provisions for credit loss assessed individually	129,400,000.00	7.27	64,259,476.45	49.66	65,140,523.55
Provisions for credit loss assessed by portfolio of credit risk characteristics	1,650,714,885.10	92.73	68,911,517.13	4.17	1,581,803,367.97
Total	1,780,114,885.10	100.00	133,170,993.58	7.48	1,646,943,891.52

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Trade receivables (Continued)

The trade receivables with provisions for credit loss assessed by portfolio of credit risk characteristics are set out as follows:

Portfolio I:

RMB

Aging	31 December 2021			
	Book balance		Provisions for credit loss	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	1,346,441,313.78	90.16	6,732,206.57	0.50
One year to two years	74,456,317.18	4.99	1,861,407.93	2.50
Two years to three years	50,693,211.71	3.39	2,534,660.59	5.00
Over three years	21,743,944.99	1.46	10,041,451.48	46.18
Total	1,493,334,787.66	100.00	21,169,726.57	1.42

Portfolio II:

RMB

Aging	31 December 2021			
	Book balance		Provisions for credit loss	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	90,975,790.25	32.02	454,878.93	0.50
One year to two years	50,962,254.61	17.94	2,548,112.74	5.00
Two years to three years	63,705,909.74	22.42	6,370,590.97	10.00
Over three years	78,455,214.49	27.62	36,933,332.57	47.08
Total	284,099,169.09	100.00	46,306,915.21	16.30

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Trade receivables (Continued)

The trade receivables with provisions for credit loss assessed by portfolio of credit risk characteristics are set out as follows: (Continued)

Portfolio III:

RMB

Aging	31 December 2021			
	Book balance		Provisions for credit loss	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	6,822,130.50	19.06	68,219.66	1.00
One year to two years	20,153,068.98	56.31	1,007,653.45	5.00
Two years to three years	2,990,400.00	8.35	448,560.00	15.00
Over three years	5,827,814.89	16.28	4,713,114.89	80.87
Total	35,793,414.37	100.00	6,237,548.00	17.43

Portfolio IV:

RMB

Aging	31 December 2021			
	Book balance		Provisions for credit loss	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	153,828,944.62	100.00	769,144.73	0.50
Total	153,828,944.62	100.00	769,144.73	0.50

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Trade receivables (Continued)

As at 31 December 2021, trade receivables from the five largest customers are listed as follows:

RMB

Company name	Relationship with the Company	Amount	Aging	Percentage of total trade receivables (%)
Company 1	Third party	329,995,000.00	Within 1 year	15.74
Company 2	Third party	100,460,734.25	Within 1 year	4.79
Company 3	Third party	97,631,055.40	Within 1 year	4.66
Company 4	Third party	94,224,936.90	Within 2 years	4.49
Company 5	Third party	83,184,102.13	Within 1 year	3.97
Total	—	705,495,828.68	—	33.65

In 2021, the Group had no trade receivables that were written off or subject to restricted ownership (2020: Nil).

In 2021, the Group had no trade receivables that are derecognised due to transfer of financial assets, and had no assets or liabilities related to continuing involvement of transferred trade receivables (2020: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables

The aging analysis of other receivables is as follows:

RMB

Aging	31 December 2021	31 December 2020
Within one year	225,249,545.74	217,935,156.28
One year to two years	230,928.89	2,482,836.90
Two years to three years	1,150,172.78	212,863.22
Over three years	—	381,029.56
Sub-total	226,630,647.41	221,011,885.96
Less: Provisions for credit loss	683,304.25	515,632.86
Total	225,947,343.16	220,496,253.10

The changes in the provisions for credit loss of other receivables are set out as follows:

RMB

Item	2021	2020
Balance at the beginning of the year	515,632.86	395,002.16
Provisions for the year	349,865.98	332,373.18
Less: the reversal for the year	182,194.59	211,742.48
Balance at the end of the year	683,304.25	515,632.86

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

As at 31 December 2021, the analysis of provisions for credit losses of other receivables at phase I is listed as follows:

RMB

Category	31 December 2021				
	Book balance		Provisions for credit loss		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	
Provisions for credit losses assessed by portfolio of credit risk characteristics	226,630,647.41	100.00	683,304.25	0.30	225,947,343.16
Total	226,630,647.41	100.00	683,304.25	0.30	225,947,343.16

As at 31 December 2021, the Company did not have other receivables at phase II or phase III.

As at 31 December 2021, other receivables from the five largest customers are listed as follows:

RMB

Company name	Relationship with the Company	Amount	Aging	Percentage of total other receivables (%)
Company 1	Subsidiary	116,478,269.54	Within 1 year	51.40
Company 2	Subsidiary	66,113,659.42	Within 1 year	29.17
Company 3	Subsidiary	16,395,854.95	Within 1 year	7.23
Company 4	Third party	2,510,865.68	Within 1 year	1.11
Company 5	Third party	2,469,519.59	Within 1 year	1.09
Total	—	203,968,169.18	—	90.00

As at 31 December 2021 and 31 December 2020, no amount due from shareholders that held 5% or more of the Company's voting rights was included in the aforesaid balance of other receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Inventories

RMB

Item	Book balance	31 December 2021	Book value
		Provision for decline in value	
Raw materials	560,728,572.31	14,388,620.33	546,339,951.98
Work in progress	835,557,071.82	—	835,557,071.82
Finished goods	298,952,749.37	—	298,952,749.37
Goods in transit	331,159,651.09	—	331,159,651.09
Materials in transit	15,154,484.40	—	15,154,484.40
Total	2,041,552,528.99	14,388,620.33	2,027,163,908.66

RMB

Item	Book balance	31 December 2020	Book value
		Provision for decline in value	
Raw materials	423,639,288.89	13,689,275.17	409,950,013.72
Work in progress	537,145,723.31	—	537,145,723.31
Finished goods	61,115,713.95	—	61,115,713.95
Goods in transit	116,355,926.34	—	116,355,926.34
Materials in transit	6,158,472.25	—	6,158,472.25
Total	1,144,415,124.74	13,689,275.17	1,130,725,849.57

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Inventories (Continued)

The analysis on the changes in the provisions for decline in value of inventories is set out as follows:

RMB

Item	1 January 2021	Provisions for the year	Decrease in the year	31 December 2021
Raw materials	13,689,275.17	699,345.16	–	14,388,620.33
Total	13,689,275.17	699,345.16	–	14,388,620.33

RMB

Item	1 January 2020	Provisions for the year	Decrease in the year	31 December 2020
Raw materials	12,666,552.20	1,022,722.97	–	13,689,275.17
Total	12,666,552.20	1,022,722.97	–	13,689,275.17

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Long-term equity investments

RMB

Item	31 December 2021	31 December 2020
Equity investment accounted for using cost method	381,876,012.32	381,876,012.32
– Subsidiaries	381,876,012.32	381,876,012.32
Total	381,876,012.32	381,876,012.32

(1) Subsidiaries

RMB

Name of investee	Book value as at 31 December 2020	Changes in the year		Book value as at 31 December 2021	Direct proportion of the registered capital of the investee as at 31 December 2021 (%)
		Transfer to/ Increase in investment	Decrease in investment		
Beijing Ruiweitong Engineering Machinery Co., Ltd.	321,876,012.32	–	–	321,876,012.32	100%
Beijing Kunweitong Railway Mechanization Engineering Co., Ltd.	60,000,000.00	–	–	60,000,000.00	100%
CRCC Yukun Limited	–	–	–	–	100%
Total	381,876,012.32	–	–	381,876,012.32	100%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

5. Fixed assets

2021:

RMB

Item	Buildings	Machinery, production equipment, measuring and testing equipment	Vehicles	Others	Total
I. Original costs					
1 January 2021	803,584,605.53	379,653,700.82	23,048,648.80	64,677,660.74	1,270,964,615.89
Additions	511,338.78	4,482,764.51	–	2,015,955.86	7,010,059.15
Transferred in from construction in progress	–	112,005,562.40	–	–	112,005,562.40
Transferred in	–	366,083,961.58	–	–	366,083,961.58
Disposal or retirement	–	(7,100,832.43)	–	–	(7,100,832.43)
31 December 2021	804,095,944.31	855,125,156.88	23,048,648.80	66,693,616.60	1,748,963,366.59
II. Accumulated depreciation					
1 January 2021	225,241,470.69	286,477,760.30	20,688,426.31	52,880,467.77	585,288,125.07
Provision	21,538,645.29	67,424,142.09	856,830.98	2,981,823.40	92,801,441.76
Disposal or retirement	–	(5,290,201.85)	–	–	(5,290,201.85)
31 December 2021	246,780,115.98	348,611,700.54	21,545,257.29	55,862,291.17	672,799,364.98
III. Provision for impairment					
1 January 2021	–	–	–	–	–
Provision	–	–	–	–	–
31 December 2021	–	–	–	–	–
IV. Carrying amount					
31 December 2021	557,315,828.33	506,513,456.34	1,503,391.51	10,831,325.43	1,076,164,001.61
1 January 2021	578,343,134.84	93,175,940.52	2,360,222.49	11,797,192.97	685,676,490.82

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

5. Fixed assets (Continued)

2020:

RMB

Item	Buildings	Machinery, production equipment, measuring and testing equipment	Vehicles	Others	Total
I. Original costs					
1 January 2020	803,584,605.53	362,135,870.38	23,048,648.80	61,454,876.22	1,250,224,000.93
Additions	–	8,588,695.93	–	3,911,215.51	12,499,911.44
Transferred in from construction in progress	–	10,258,268.39	–	700,884.97	10,959,153.36
Transferred out	–	(1,329,133.88)	–	(1,389,315.96)	(2,718,449.84)
31 December 2020	803,584,605.53	379,653,700.82	23,048,648.80	64,677,660.74	1,270,964,615.89
II. Accumulated depreciation					
1 January 2020	203,711,639.61	271,502,702.06	19,639,330.06	51,812,457.75	546,666,129.48
Provision	21,529,831.08	16,237,735.43	1,049,096.25	2,385,643.45	41,202,306.21
Disposal or retirement	–	(1,262,677.19)	–	(1,317,633.43)	(2,580,310.62)
Transferred out	–	–	–	–	–
31 December 2020	225,241,470.69	286,477,760.30	20,688,426.31	52,880,467.77	585,288,125.07
III. Provision for impairment					
1 January 2020	–	–	–	–	–
Provision	–	–	–	–	–
31 December 2020	–	–	–	–	–
IV. Carrying amount					
31 December 2020	578,343,134.84	93,175,940.52	2,360,222.49	11,797,192.97	685,676,490.82
1 January 2020	599,872,965.92	90,633,168.32	3,409,318.74	9,642,418.47	703,557,871.45

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

5. Fixed assets (Continued)

As at 31 December 2021, the Company had no fixed assets with restricted ownership (31 December 2020: Nil).

As at 31 December 2021, the Company had no buildings for which the title certificates are in the process of being applied and registered or which is going through formalities of transfer (31 December 2020: Nil).

As at 31 December 2021, the Company had no significant fixed assets that were temporarily idle (31 December 2020: Nil).

6. Trade payables

The aging of trade payables is set out as follows:

RMB

Item	31 December 2021	31 December 2020
Within one year	811,073,018.23	522,984,576.56
One year to two years	12,327,944.89	–
Total	823,400,963.12	522,984,576.56

Note 1: As at 31 December 2021, trade payables aged more than one year amounted to RMB12,327,944.89 (31 December 2020: Nil), which were mainly payables for engineering and material purchases. As the progress of the relevant project has not reached the milestone of payment agreed in the contract, the above payment has not yet been settled.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

7. Revenue and cost of sales

RMB

Item	2021		2020	
	Revenue	Cost of sales	Revenue	Cost of sales
Main business	2,012,940,644.14	1,561,133,826.40	1,420,816,213.53	1,117,264,158.29
Other businesses	28,705,449.35	14,538,137.38	12,360,975.50	3,835,961.80
Total	2,041,646,093.49	1,575,671,963.78	1,433,177,189.03	1,121,100,120.09

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

8. Supplementary information on cash flow statement

(1) Supplementary information on the statement of cash flows

		RMB
	2021	2020
Reconciliation of net profit to cash flows from operating activities:		
Net profit	58,151,786.86	90,005,347.66
Add: Asset impairment losses	1,216,175.53	1,022,722.97
Credit impairment losses	37,030,194.15	24,065,177.03
Depreciation of fixed assets	92,801,441.76	41,202,306.21
Amortisation of intangible assets	10,886,866.30	10,254,940.51
Losses/(gains) on disposal of fixed assets, intangible assets and other long-term assets	(414,978.26)	91,236.56
Finance costs	(7,748,294.80)	10,567,668.66
Investment income	(4,118,970.76)	(107,913,849.72)
Increase in deferred income tax assets	(6,754,020.52)	(8,580,921.31)
Increase in inventories	(897,137,404.25)	(259,343,737.94)
Increase in contract assets	(12,442,752.22)	–
Increase in operating receivables	(348,618,935.39)	(47,765,594.91)
Increase in operating payables	687,080,291.56	285,810,439.77
Net cash flows used in operating activities	(390,068,600.04)	39,415,735.49

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

8. Supplementary information on cash flow statement (Continued)

(1) Supplementary information on the statement of cash flows (Continued)

Net changes in cash and cash equivalents:

RMB

Item	2021	2020
Cash at the end of the year	1,103,258,024.58	1,599,972,445.98
Less: Cash at the beginning of the year	1,599,972,445.98	1,666,914,757.79
Net decrease in cash and cash equivalents	(496,714,421.40)	(66,942,311.81)

(2) Cash and cash equivalents

RMB

Item	31 December 2021	31 December 2020
Cash	1,103,258,024.58	1,599,972,445.98
Including: Cash on hand	—	—
Bank deposits available for payment	1,103,258,024.58	1,599,972,445.98
Balance of cash and cash equivalents at the end of the year	1,103,258,024.58	1,599,972,445.98

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

9. Balance of receivables and payables of related parties

RMB

	31 December 2021		31 December 2020	
	Book balance	Provisions for credit loss	Book balance	Provisions for credit loss
Cash and bank balances				
CRCC Finance Company Limited	34,963,967.36	–	20,335,071.39	–
Total	34,963,967.36	–	20,335,071.39	–
Bills receivable				
China Railway Construction Heavy Industry Corporation Limited	56,363,001.00	56,363.00	–	–
China Civil Engineering Construction Corporation	34,045,437.00	34,045.44	–	–
Total	90,408,438.00	90,408.44	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

9. Balance of receivables and payables of related parties (Continued)

RMB

	31 December 2021		31 December 2020	
	Book balance	Provisions for credit loss	Book balance	Provisions for credit loss
Trade receivables				
China Civil Engineering Construction Corporation	26,604,189.46	26,604.19	87,879,681.60	1,157,106.93
Beijing Kunweitong Railway Mechanization Engineering Co., Ltd.	11,062,645.41	—	20,183,963.65	—
China Railway 22nd Bureau Group Co., Ltd.	7,330,000.00	7,330.00	9,824,300.00	1,571,852.08
China Railway 16th Bureau Group Co., Ltd.	4,626,443.62	4,626.44	7,626,443.62	324,123.85
China Railway Construction South China Construction Co., Ltd.	2,103,055.02	2,103.06	4,206,110.42	178,759.69
CRCC Xinjiang Jingxin Expressway Co., Ltd.	1,840,100.00	1,840.10	—	—
China Railway 23rd Bureau Group Co., Ltd.	1,450,000.00	1,450.00	1,450,000.00	1,450,000.00
China Railway Construction Heavy Industry Corporation Limited	919,674.98	919.67	188,731,322.49	1,415,484.91
China Railway Construction Electrification Bureau Group Co., Ltd.	276,106.19	276.11	291,771.19	2,188.28
China Railway 12th Bureau Group Co., Ltd.	150,000.00	150.00	773,995.20	32,054.96
China Railway 14th Bureau Group Co., Ltd.	130,000.00	130.00	—	—
China Railway 20th Bureau Group Co., Ltd.	120,747.00	120.75	161,781.00	1,213.36
China Railway 11th Bureau Group Co., Ltd.	103,540.06	103.54	3,000,000.00	22,500.00
China Railway 18th Bureau Group Co., Ltd.	53,152.00	53.15	—	—
Beijing Ruiweitong Engineering Machinery Co., Ltd.	—	—	62,941,472.54	—
China Railway 15th Bureau Group Co., Ltd.	—	—	13,966.51	104.75
Total	56,769,653.74	45,707.01	387,084,808.22	6,155,388.81

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

9. Balance of receivables and payables of related parties (Continued)

RMB

	31 December 2021		31 December 2020	
	Book balance	Provisions for credit loss	Book balance	Provisions for credit loss
Other receivables				
CRCC Yukun Limited	116,478,269.54	–	116,478,269.54	–
Beijing Ruiweitong Engineering Machinery Co., Ltd.	66,113,659.42	–	76,052,008.45	–
Beijing Kunweitong Railway Mechanization Engineering Co., Ltd.	16,395,854.95	–	8,507,186.98	–
Total	198,987,783.91	–	201,037,464.97	–
Receivables at FVTOCI				
China Railway 16th Bureau Group Co., Ltd.	–	–	1,495,403.15	–
Total	–	–	1,495,403.15	–
Long-term receivables				
CRCC Financial Leasing Co., Ltd.	–	–	51,970,000.00	389,775.00
Total	–	–	51,970,000.00	389,775.00
Current portion of non-current assets				
CRCC Financial Leasing Co., Ltd.	51,970,000.00	1,945,970.00	–	–
Total	51,970,000.00	1,945,970.00	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

XIII. NOTES TO THE MAIN ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

9. Balance of receivables and payables of related parties (Continued)

RMB

	31 December 2021	31 December 2020
Bills payable		
China Railway 20th Bureau Group Co., Ltd.	16,629,297.78	—
China Railway Construction Heavy Industry Corporation Limited	182,016.08	—
Total	16,811,313.86	—
Trade payables		
Beijing Ruiweitong Engineering Machinery Co., Ltd.	54,581,318.48	—
China Railway 20th Bureau Group Co., Ltd.	36,103,216.79	—
China Railway 14th Bureau Group Co., Ltd.	1,413,623.03	4,685,099.10
China Railway Construction Heavy Industry Corporation Limited	452,434.65	34,195.04
Total	92,550,592.95	4,719,294.14
Contract liabilities		
China Railway 24th Bureau Group Co., Ltd.	2,000,000.00	2,000,000.00
China Railway 20th Bureau Group Co., Ltd.	—	230,191.50
Total	2,000,000.00	2,230,191.50

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 (羅振飊)
Joint company secretaries	Ma Changhua (馬昌華) Law Chun Biu (羅振飊)
Registered office	No. 384, Yangfangwang Jinma Town, Kunming Yunnan Province, China
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 Short Name: CRCCE
H share registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

BASIC CORPORATE INFORMATION

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Baker & McKenzie
14th Floor, One Taikoo Place
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Jia Yuan Law Offices
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Xicheng District
Beijing, China

Auditor

Deloitte Touche Tohmatsu Certified Public Accountants LLP
30th floor, No.222 Yan'an East Road
Huangpu District, Shanghai

DEFINITIONS

"Articles" or "Articles of Association"	the Company's Articles of Association
"Board" or "Board of Directors"	the Board of Directors of the Company
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"Company"	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
"Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), amended and adopted by the standing committee of the tenth National People's Congress on 27 October 2005, and took effect on 1 January 2006, as amended, supplemented or otherwise modified from time to time, further amended on 28 December 2013 and took effect on 1 March 2014 and subsequently amended on 26 October 2018 with immediate effect
"CRCC"	China Railway Construction Corporation Limited, the controlling shareholder of the Company
"CRCCG"	China Railway Construction Group Corporation, 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
"Deloitte"	Deloitte Touche Tohmatsu Certified Public Accountants LLP
"Group"	the Company and its subsidiaries
"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

DEFINITIONS

"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 10 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
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company

By Order of the Board
CRCC High-Tech Equipment Corporation Limited
Liu Feixiang
Chairman

Kunming, the People's Republic of China, 30 March 2022

As at the date of this announcement, the Board of the Company comprises Mr. Liu Feixiang, Mr. Tong Pujiang and Mr. Chen Yongxiang, as executive directors; Mr. Zhao Hui, Mr. Sha Mingyuan, as non-executive directors; and Mr. Sun Linfu, Mr. Yu Jiahe and Mr. Wong Hin Wing, as independent non-executive directors.