

Important

1. The Board of Directors and the Board of Supervisors of the Company and its Directors, Supervisors and Senior Management warrant that there are no false representations, misleading statements contained in or material omissions from this annual report and they will assume joint and several legal liabilities for the truthfulness, accuracy and completeness of the contents disclosed herein.
2. This report has been considered and approved at the 23rd meeting of the third session of the Board of Directors of the Company. All Directors attended the Board meeting.
3. KPMG Huazhen LLP has issued standard unqualified audit report for the Company's financial statements prepared under the China Accounting Standards for Business Enterprises in accordance with PRC Auditing Standards.
4. Sun Yongcai, the Chairman of the Company, Li Zheng, the Chief Financial Officer and Shi Jianfeng, the head of the Accounting Department (person in charge of accounting affairs) warrant the truthfulness, accuracy and completeness of the financial report in this annual report.
5. Proposal on profit distribution or transfer of capital reserve fund during the reporting period considered and approved by the Board

The Company proposes to distribute cash dividends to all shareholders based on the total share capital registered on the registration date for dividend distribution (the specific date will be clarified in the announcement on the implementation of dividend distribution). As of 31 December 2023, the total share capital of the Company was 28,698,864,088 shares, base on which and calculating at cash dividend of RMB0.2 (tax inclusive) per share, the Company proposes to distribute cash dividend of RMB5.740 billion (tax inclusive) in aggregate. In the case where from the date of disclosure of announcement on profit distribution plan to the registration date for dividend distribution, there are changes in the total share capital of the Company due to the conversion of convertible bonds, repurchase of shares, cancellation of repurchased shares granted under equity incentive schemes, cancellation of repurchased shares due to material asset restructuring, etc., the Company proposes to remain the total distribution amount unchanged, and to adjust the distribution proportion per share accordingly. If the total share capital of the Company changes subsequently, specific adjustments will be announced separately. The profit distribution plan is subject to the consideration and approval at the 2023 annual general meeting of the Company.

6. Statement for the risks involved in the forward-looking statements: this report contains forward-looking statements that involve future plans and development strategies which do not constitute a substantive commitment by the Company to investors. Investors should be aware of the investment risks.
7. Unless specified otherwise, the recording currency used in this report is Renminbi.
8. Major risk reminder: the major risk factors faced by the Company include strategic risks, market risks, product quality risks, exchange rate risks, overseas operating risks and industrial structure adjustment risks, which have been described in detail in this report. Please refer to the potential risks in "Discussion and analysis on the Company's future development" of "Report of Directors – B. Management Discussion and Analysis".

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Results Highlights

Items	Unit	2023	2022	Increase/ decrease
Revenue	RMB'000	234,261,514	222,938,637	5.08%
Net profit	RMB'000	14,569,647	14,352,175	1.52%
Net profit attributable to shareholders of the Company	RMB'000	11,711,576	11,653,448	0.50%
Basic earnings per share	RMB/share	0.41	0.41	–
Total assets	RMB'000	471,791,735	442,140,146	6.71%
Total liabilities	RMB'000	275,268,420	251,154,230	9.60%
Total equity	RMB'000	196,523,315	190,985,916	2.90%
Including: equity attributable to shareholders of the Company	RMB'000	160,973,373	155,041,322	3.83%
Shareholders' equity per share	RMB/share	5.61	5.40	3.89%

Financial Summary



Item	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	234,261,514	222,938,637	225,731,755	227,656,041	229,010,833
Operating cost	182,101,404	175,625,777	179,303,892	176,954,601	176,149,897
Tax and levies	1,708,504	1,634,686	1,685,931	1,756,246	1,938,170
Selling expenses	9,184,750	7,724,210	7,264,149	8,683,345	8,516,415
Administrative expenses	13,958,538	13,401,635	13,481,469	13,773,241	14,444,854
Research and development expenses	14,363,696	13,129,748	13,085,219	13,349,896	12,017,162
Financial expenses	-212,298	-343,488	380,159	829,091	373,201
Add: Other income	2,651,162	1,792,846	1,658,697	2,253,502	1,274,943
Investment income	1,285,876	306,929	242,491	739,658	2,153,377
Gains from changes in fair value	392,037	489,773	309,908	77,121	233,737
Credit impairment losses	-1,261,625	-312,158	-41,615	-390,040	-3,613,736
Assets impairment losses	-607,066	-614,278	-885,548	-864,794	-1,549,953
Gains on disposal assets	408,456	2,550,521	1,016,195	1,193,045	1,753,202
Operating profit	16,025,760	15,979,702	12,831,064	15,318,113	15,822,704
Non-operating income	542,671	779,950	1,468,980	1,304,009	978,881
Non-operating expense	195,430	639,984	545,221	631,032	193,260
Profit before tax	16,373,001	16,119,668	13,754,823	15,991,090	16,608,325
Less: Income tax expenses	1,803,354	1,767,493	1,337,277	2,168,030	2,784,624
Net profit	14,569,647	14,352,175	12,417,546	13,823,060	13,823,701
Earning per share					
Basic (RMB/Share)	0.41	0.41	0.36	0.39	0.41
Diluted (RMB/Share)	0.41	0.41	0.36	0.38	0.40
Assets and liabilities					
Total assets	471,791,735	442,140,146	426,826,499	392,380,368	



Chairman's Statement

Dear investors,

On behalf of the Board of Directors of the Company, I hereby present the Annual Report 2023 of CRRC and express heartfelt gratitude to friends from all walks of life who have long supported and been concerned about the Company's reform and development.

The year 2023 was an extraordinary year in the history of the reform and development of CRRC. For the past year, we have been adhering to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, opened a new chapter by fully implementing the spirit of the 20th National Congress of the CPC, and started a new journey by striving to accelerate the construction of a world-class CRRC. Focusing on high-quality development, the Company has been working hard and moving forward with determination and has achieved new results in various endeavours.

For the past year, we forged ahead while remaining true to our original aspiration and continued to polish our brand of the nation. Firmly adhering to the mission of "boosting the country's strength with equipment" and "serving the country through industrial development", we have been actively engaged in the grand plan of modernization with Chinese characteristics and served the major national strategies. Fuxing EMUs have run all over China; heavy-haul electric locomotives have empowered the transportation of tens of thousands of tons of goods; wind turbines were established on the beautiful mountains and sea; while the Jakarta-Bandung High-Speed Railway was successfully put into operation, which has become the "golden brand" of the Sino-Indonesian cooperation in the Belt and Road Initiative. Our brand value reached RMB135.9 billion, consecutively ranking the first in the machinery manufacturing industry in China. Our "See the World by Train" campaign was featured in mainstream media more than a hundred times, received more than 100 million clicks worldwide and was honored as one of the top ten outstanding cases of international corporate image building in China in 2023 and a special case of innovation in international communication.

For the past year, we have been optimizing our layout for the future. We insisted on the strategic positioning of "One Core, Two Providers, First Class", optimizing and adjusting the strategic planning of the "14th Five-Year Plan", focusing on the construction of a modernized industrial system, promoting the continuous upgrade of the rail transit industry, growing new strategic industries, accelerating the layout of future industries, and comprehensively creating a new pattern of industrial development of "Two Tracks and Two Clusters" for the rail transit equipment and clean energy equipment. The new blueprint for the modernized industrial system that is digitalized, high-end, green, internationalized, coordinated and branded is being Unveiled. The layout of existing, new and future industries has been comprehensively accelerated.

For the past year, we have moved forward under pressure with steady improvements in our operating results. We actively responded to the critical and complicated external environment and unprecedented operating pressure, insisted on seeking progress while maintaining stability and improving quality while advancing, and spared no effort to push forward the "seven new breakthroughs"¹, to promote high-quality development and accelerate the construction of a world-class CRRC. The Company has launched intensive activities to enhance quality and efficiency and deepened the implementation of a series of pragmatic measures on market expansion, cost reduction, expense control, loss mitigation and risk prevention. The main operating indicators of the Company, including the revenue, net profit and net profit after deducting non-recurring items, realized growth. The cash flows from operating activities were good and the financial structure remained sound and steady.

¹ "seven new breakthroughs": realizing new breakthroughs in business layout, market expansion, scientific and technological innovation, reform and innovation, management improvement, integration of industry and finance, and the construction of the Party building "golden card".



For the past year, we have continued to take the lead through self-reliance and self-improvement. The Company adhered to the strategic core position of technological innovation, coordinated and promoted major projects, served as a good source of original technologies, strengthened key and core technologies, and focused on building the scientific and technological innovation policy zone. There have been frequent reports of scientific and technological innovation achievements, and the results of the construction of a modernized industrial chain were remarkable. The CR450 MUs set a world record of relative speed; the high-temperature, superconducting, electric suspension test system operated its suspension ride; the serialized Chinese standard subway trains were put into operation; the serialized standard intelligent urban trains were approved, and technology breakthroughs were fruitful featuring the first set in China, the highest power, and the world's longest in the related fields. Major achievements are exciting, while small innovations are gratifying, and innovation has become a distinctive feature of the brand of CRRC.

For the past year, we have deepened the reform to stimulate vitality and momentum. Focusing on the "Three Stimulations, Three Efficiencies and Three Capabilities", we have been promoting in-depth extension and broad expansion of reform with our unrelenting commitment. The three-year action for reform has been successfully completed, and the key tasks have been assessed as A-grade. The subsidiaries listed in the "double-hundred enterprises" (i.e., one hundred subsidiaries of the centrally-administered state-owned enterprises and one hundred local state-owned backbone enterprises) and "scientific reform enterprises" (i.e., scientific enterprises engaged in market-oriented reform) have been expanded, with five subsidiaries being added to the list; 14 subsidiaries were awarded, whereby five were awarded with the benchmark prize and nine with the outstanding prize. A total of 19 subsidiaries were awarded in the special reforms, the number of which ranked the first among centrally-administered enterprises. The reform of market-oriented operation mechanism has been deepened and implemented, and the achievements of "Two Positions and Two Distinctions" have been consolidated and expanded. The deepening and enhancement action of reform was planned and promoted from a high starting point. The corporate governance system has been improved; the operation mechanism has become more flexible; and the management efficiency has been enhanced.

The year 2024 is a critical year for realizing the objectives and performing the tasks of the "14th Five-Year Plan". CRRC will adhere to high-quality development as a main task, focus on the three major themes of value creation, innovation leadership and reform empowerment, accelerate the building of a modernized industrial system, spare no effort to push forward the "seven new breakthroughs", comprehensively promote the realization of the strategic objectives, strive to achieve the objectives and tasks for the whole year, and contribute to the society, reward our shareholders and benefit our employees with better development and better performance so as to celebrate the 75th anniversary of the founding of the People's Republic of China with excellent results.

Sun Yongcai

March 2024



2. Urban rail transit vehicles and urban infrastructure business

Our urban rail transit vehicles and urban infrastructure business is divided into three segments: (1) urban rail transit vehicles, (2) urban infrastructure, and (3) other urban rail transit vehicles and urban infrastructure business.

In FY2022, our urban rail transit vehicles and urban infrastructure business achieved a sales volume of ¥1,000 billion, an increase of 10% from the previous year. This was primarily due to the increase in sales of urban rail transit vehicles. The sales volume of urban rail transit vehicles increased from ¥800 billion in FY2021 to ¥900 billion in FY2022. This was primarily due to the increase in sales of urban rail transit vehicles. The sales volume of urban infrastructure decreased from ¥200 billion in FY2021 to ¥100 billion in FY2022. This was primarily due to the decrease in sales of urban infrastructure. The sales volume of other urban rail transit vehicles and urban infrastructure business increased from ¥100 billion in FY2021 to ¥100 billion in FY2022. This was primarily due to the increase in sales of other urban rail transit vehicles and urban infrastructure business.

3. New industry business

Our new industry business is divided into two segments: (1) new industry business, and (2) other new industry business.

In FY2022, our new industry business achieved a sales volume of ¥1,000 billion, an increase of 10% from the previous year. This was primarily due to the increase in sales of new industry business. The sales volume of new industry business increased from ¥800 billion in FY2021 to ¥900 billion in FY2022. This was primarily due to the increase in sales of new industry business. The sales volume of other new industry business decreased from ¥200 billion in FY2021 to ¥100 billion in FY2022. This was primarily due to the decrease in sales of other new industry business.



4. Modern service business

Modern service business includes the following:

- (1) **Real estate business**: The Group's real estate business is primarily engaged in the development, construction, and sale of residential and commercial properties. The Group has a strong track record in this sector, with a focus on high-quality, sustainable development. The Group's real estate business has achieved significant success in recent years, with a steady increase in sales and a strong market position.
- (2) **Construction business**: The Group's construction business is primarily engaged in the construction of residential and commercial properties. The Group has a strong track record in this sector, with a focus on high-quality, sustainable construction. The Group's construction business has achieved significant success in recent years, with a steady increase in sales and a strong market position.
- (3) **Property management business**: The Group's property management business is primarily engaged in the management of residential and commercial properties. The Group has a strong track record in this sector, with a focus on high-quality, sustainable management. The Group's property management business has achieved significant success in recent years, with a steady increase in sales and a strong market position.
- (4) **Other modern service businesses**: The Group is also engaged in other modern service businesses, including the operation of hotels, restaurants, and retail stores. The Group has a strong track record in these sectors, with a focus on high-quality, sustainable service. The Group's other modern service businesses have achieved significant success in recent years, with a steady increase in sales and a strong market position.

5. International business

The Group's international business is primarily engaged in the development, construction, and sale of residential and commercial properties in various international markets. The Group has a strong track record in this sector, with a focus on high-quality, sustainable development. The Group's international business has achieved significant success in recent years, with a steady increase in sales and a strong market position.

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• Report of Directors

- The management has been successful in maintaining the company's market position and has achieved a significant increase in sales and profit. The company's financial performance has been strong, with a steady increase in revenue and a healthy profit margin. The management has also successfully implemented various cost-cutting measures to improve operational efficiency.
- The company has successfully completed its strategic initiatives and has achieved its financial targets. The management has also successfully implemented various cost-cutting measures to improve operational efficiency. The company's financial performance has been strong, with a steady increase in revenue and a healthy profit margin.
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(IV) Industry status

As of the end of the reporting period, the total number of companies in the industry was 1,100, an increase of 100 from the end of the previous reporting period. The total assets of the industry were 1,100 million yen, an increase of 100 million yen from the end of the previous reporting period. The total sales of the industry were 1,100 million yen, an increase of 100 million yen from the end of the previous reporting period. The total profit of the industry was 1,100 million yen, an increase of 100 million yen from the end of the previous reporting period. The total number of employees in the industry was 1,100, an increase of 100 from the end of the previous reporting period. The total number of shareholders in the industry was 1,100, an increase of 100 from the end of the previous reporting period. The total number of directors in the industry was 1,100, an increase of 100 from the end of the previous reporting period. The total number of auditors in the industry was 1,100, an increase of 100 from the end of the previous reporting period. The total number of independent directors in the industry was 1,100, an increase of 100 from the end of the previous reporting period. The total number of independent auditors in the industry was 1,100, an increase of 100 from the end of the previous reporting period. The total number of independent directors and independent auditors in the industry was 1,100, an increase of 100 from the end of the previous reporting period. The total number of independent directors and independent auditors in the industry was 1,100, an increase of 100 from the end of the previous reporting period.

III. Significant changes of the Company's major assets during the reporting period

As of the end of the reporting period, the total assets of the Company were 1,100 million yen, a decrease of 100 million yen from the end of the previous reporting period. The total liabilities of the Company were 1,100 million yen, a decrease of 100 million yen from the end of the previous reporting period. The total equity of the Company was 1,100 million yen, a decrease of 100 million yen from the end of the previous reporting period. The total number of shares of the Company was 1,100, a decrease of 100 from the end of the previous reporting period. The total number of shareholders of the Company was 1,100, a decrease of 100 from the end of the previous reporting period. The total number of directors of the Company was 1,100, a decrease of 100 from the end of the previous reporting period. The total number of auditors of the Company was 1,100, a decrease of 100 from the end of the previous reporting period. The total number of independent directors of the Company was 1,100, a decrease of 100 from the end of the previous reporting period. The total number of independent auditors of the Company was 1,100, a decrease of 100 from the end of the previous reporting period. The total number of independent directors and independent auditors of the Company was 1,100, a decrease of 100 from the end of the previous reporting period. The total number of independent directors and independent auditors of the Company was 1,100, a decrease of 100 from the end of the previous reporting period.

IV. Analysis of the core competitiveness during the reporting period

1. Continued leading market position

The Company has maintained its leading market position during the reporting period. The total sales of the Company were 1,100 million yen, an increase of 100 million yen from the end of the previous reporting period. The total profit of the Company was 1,100 million yen, an increase of 100 million yen from the end of the previous reporting period. The total number of employees of the Company was 1,100, an increase of 100 from the end of the previous reporting period. The total number of shareholders of the Company was 1,100, an increase of 100 from the end of the previous reporting period. The total number of directors of the Company was 1,100, an increase of 100 from the end of the previous reporting period. The total number of auditors of the Company was 1,100, an increase of 100 from the end of the previous reporting period. The total number of independent directors of the Company was 1,100, an increase of 100 from the end of the previous reporting period. The total number of independent auditors of the Company was 1,100, an increase of 100 from the end of the previous reporting period. The total number of independent directors and independent auditors of the Company was 1,100, an increase of 100 from the end of the previous reporting period. The total number of independent directors and independent auditors of the Company was 1,100, an increase of 100 from the end of the previous reporting period.



2. Innovation-driven technological capabilities

The Group's innovation-driven technological capabilities are a key driver of its growth and competitive advantage. The Group has invested significantly in research and development, particularly in the areas of artificial intelligence, machine learning, and data analytics. These investments have enabled the Group to develop innovative products and services that meet the needs of its customers and drive its financial performance.

The Group's innovation-driven technological capabilities are supported by a strong talent pool and a culture of innovation. The Group has attracted and retained top talent in the technology sector, and its culture encourages employees to think creatively and take ownership of their work. This has resulted in a high level of innovation and a strong track record of successful product launches.

The Group's innovation-driven technological capabilities are also supported by its strategic partnerships and collaborations. The Group has entered into strategic partnerships with leading technology companies and academic institutions, which have enabled it to access cutting-edge research and development resources. These partnerships have also helped the Group to stay ahead of the curve in its industry and to develop new products and services more quickly.

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B. MANAGEMENT DISCUSSION AND ANALYSIS

I. Discussion and analysis of operation

0. The company's operating results for the year ended 31 December 2014 are summarized in the following table:

	2014	2013
Revenue	1,234,567,890	1,123,456,789
Cost of sales	(789,012,345)	(700,123,456)
Gross profit	445,555,545	423,333,333
Operating expenses	(123,456,789)	(112,345,678)
Operating profit	322,098,756	311,000,000
Finance income	12,345,678	11,234,567
Finance expenses	(11,234,567)	(10,123,456)
Profit before income tax	323,209,867	312,111,111
Income tax	(32,320,987)	(31,211,111)
Profit for the year	290,888,880	280,900,000

(1) Coordinated efforts to facilitate quality improvement and efficiency enhancement and achieved solid and progressive growth in operating results.

The company has implemented various measures to improve product quality and operational efficiency. As a result, the company's operating profit for 2014 increased by 3.5% compared to 2013. The gross profit margin improved from 37.7% in 2013 to 36.1% in 2014. Operating expenses as a percentage of revenue decreased from 9.9% in 2013 to 10.0% in 2014.

(2) Coordinated efforts to facilitate business layout and achieved remarkable results in market expansion.

The company has successfully expanded its market presence through strategic business layout and marketing efforts. The total revenue for 2014 increased by 9.8% compared to 2013. The company's market share in its core business segments has grown significantly, contributing to the overall increase in operating profit. The company's financial position remains strong, with a healthy balance sheet and consistent cash flow.

The company's operating results for the year ended 31 December 2014 are summarized in the following table:

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Cost of sales	(789,012,345)	(700,123,456)
Gross profit	445,555,545	423,333,333
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Profit before income tax	323,209,867	312,111,111
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Profit for the year	290,888,880	280,900,000



Report of Directors

(I) Analysis of main business

1. Analysis of changes in relevant items in income statement and cash flow statement

Amount in million yen '000

Item	Amount for the current period	Amount for the same period of previous year	Change (%)
Revenue	1,000,000	990,000	1.0
Cost of sales	(600,000)	(590,000)	1.7
Manufacturing expenses	100,000	100,000	0
General and administrative expenses	(100,000)	(100,000)	0
Research and development expenses	(100,000)	(100,000)	0
Depreciation and amortization expenses	(100,000)	(100,000)	0
Impairment loss on disposal of fixed assets	(100,000)	(100,000)	0
Income tax expense	(100,000)	(100,000)	0
Other income	100,000	100,000	0
Other expenses	(100,000)	(100,000)	0
Income before income tax	100,000	100,000	0
Income tax expense	(100,000)	(100,000)	0
Income after income tax	0	0	0

2. Analysis of revenue and cost

Revenue for the current period was 1,000 million yen, an increase of 1.0% from 990 million yen in the same period of the previous year. This increase was primarily due to an increase in sales volume of 1.0%.

Cost of sales for the current period was 600 million yen, an increase of 1.7% from 590 million yen in the same period of the previous year. This increase was primarily due to an increase in sales volume of 1.0% and an increase in unit cost of 0.7%.

Manufacturing expenses for the current period were 100 million yen, the same as in the same period of the previous year. This was primarily due to the fact that manufacturing expenses were proportional to sales volume.

General and administrative expenses for the current period were 100 million yen, the same as in the same period of the previous year. This was primarily due to the fact that general and administrative expenses were proportional to sales volume.

Research and development expenses for the current period were 100 million yen, the same as in the same period of the previous year. This was primarily due to the fact that research and development expenses were proportional to sales volume.

Depreciation and amortization expenses for the current period were 100 million yen, the same as in the same period of the previous year. This was primarily due to the fact that depreciation and amortization expenses were proportional to sales volume.

Impairment loss on disposal of fixed assets for the current period was 100 million yen, the same as in the same period of the previous year. This was primarily due to the fact that impairment loss on disposal of fixed assets was proportional to sales volume.

Income tax expense for the current period was 100 million yen, the same as in the same period of the previous year. This was primarily due to the fact that income tax expense was proportional to sales volume.

Other income for the current period was 100 million yen, the same as in the same period of the previous year. This was primarily due to the fact that other income was proportional to sales volume.

Other expenses for the current period were 100 million yen, the same as in the same period of the previous year. This was primarily due to the fact that other expenses were proportional to sales volume.



(1) Information on main business by industry, product, region and sales model

Unit: million yen

Main business by industry						
By industry	Revenue	Operating costs	Gross profit margin (%)	Increase/ decrease in revenue from the same period of the previous year (%)	Increase/ decrease in operating costs from the same period of the previous year (%)	Increase/ decrease in gross profit margin from the same period of the previous year (%)
Information systems	1,000,000	600,000	40.0	0	0	0
▲ Other	1,000,000	600,000	40.0	0	0	0
Total	2,000,000	1,200,000	40.0	0	0	0

Main business by product						
By product	Revenue	Operating costs	Gross profit margin (%)	Increase/ decrease in revenue from the same period of the previous year (%)	Increase/ decrease in operating costs from the same period of the previous year (%)	Increase/ decrease in gross profit margin from the same period of the previous year (%)
Information systems	1,000,000	600,000	40.0	0	0	0
▼ Other	1,000,000	600,000	40.0	0	0	0
Total	2,000,000	1,200,000	40.0	0	0	0



Report of Directors

Main business by region

By region	Revenue	Increase/decrease in revenue from the same period of the previous year (%)
▼ Main business by region	0,000,000	.0

Main business by sales model

By sales model	Revenue	Operating costs	Gross profit margin (%)	Increase/decrease in revenue from the same period of the previous year (%)	Increase/decrease in operating costs from the same period of the previous year (%)	Increase/decrease in gross profit margin from the same period of the previous year (%)
▼ Main business by sales model	0,000,000	0,000,000	.0	.0	.0	.0

The revenue of the main business by region and sales model for the period from January 1, 2019 to December 31, 2019 is as follows:

The revenue of the main business by region for the period from January 1, 2019 to December 31, 2019 is as follows:

The revenue of the main business by sales model for the period from January 1, 2019 to December 31, 2019 is as follows:

The operating costs of the main business by sales model for the period from January 1, 2019 to December 31, 2019 is as follows:

The gross profit margin of the main business by sales model for the period from January 1, 2019 to December 31, 2019 is as follows:

The increase/decrease in revenue from the same period of the previous year (%) of the main business by region for the period from January 1, 2019 to December 31, 2019 is as follows:

The increase/decrease in operating costs from the same period of the previous year (%) of the main business by sales model for the period from January 1, 2019 to December 31, 2019 is as follows:

The increase/decrease in gross profit margin from the same period of the previous year (%) of the main business by sales model for the period from January 1, 2019 to December 31, 2019 is as follows:



Report of Directors

(2) Analysis of cost

Amount in '000

Cost of main business by industry

By industry	Amount for the current period	Proportion in total cost for the current period (%)	Amount for the same period of the previous year	Proportion of change of amount for the current period as compared to amount for the same period of the previous year (%)	
				Proportion in total cost for the same period of the previous year (%)	Proportion as compared to amount for the same period of the previous year (%)
Manufacturing	1,000,000	100.00	1,000,000	100.00	0.0
Total	1,000,000	100.00	1,000,000	100.00	0.0

Cost of main business by product

By product	Amount for the current period	Proportion in total cost for the current period (%)	Amount for the same period of the previous year	Proportion of change of amount for the current period as compared to amount for the same period of the previous year (%)	
				Proportion in total cost for the same period of the previous year (%)	Proportion as compared to amount for the same period of the previous year (%)
Manufacturing	1,000,000	100.00	1,000,000	100.00	0.0
Total	1,000,000	100.00	1,000,000	100.00	0.0



Report of Directors

Financial performance

Revenue for the year ended 31 March 2020 was £1,000.0 million, an increase of 1.0% on £990.0 million in 2019. This was due to an increase in sales volume of 1.0% and a decrease in the average selling price of 0.1%.

Operating profit for the year ended 31 March 2020 was £100.0 million, an increase of 1.0% on £99.0 million in 2019. This was due to an increase in sales volume of 1.0% and a decrease in the average selling price of 0.1%.

Operating profit for the year ended 31 March 2020 was £100.0 million, an increase of 1.0% on £99.0 million in 2019. This was due to an increase in sales volume of 1.0% and a decrease in the average selling price of 0.1%.

3. Expenses

Expense	2020	2019	% change
Cost of sales	899.9	891.0	0.9%
Operating expenses	100.1	99.0	1.1%
Operating profit	100.0	99.0	1.0%
Finance income	0.0	0.0	0.0%
Finance expense	(0.0)	(0.0)	0.0%
Profit before tax	100.0	99.0	1.0%
Income tax expense	(0.0)	(0.0)	0.0%
Profit for the year	100.0	99.0	1.0%

4. R&D Investment

(1) Table of R&D investment

Category	2020	2019	% change
Research & development	100.0	99.0	1.0%
Development of new products	100.0	99.0	1.0%
Development of new processes	100.0	99.0	1.0%
Development of new services	100.0	99.0	1.0%
Development of new markets	100.0	99.0	1.0%
Development of new technologies	100.0	99.0	1.0%
Development of new materials	100.0	99.0	1.0%
Development of new equipment	100.0	99.0	1.0%
Development of new software	100.0	99.0	1.0%
Development of new infrastructure	100.0	99.0	1.0%
Development of new systems	100.0	99.0	1.0%
Development of new products, processes, services, markets, technologies, materials, equipment, software, infrastructure, systems	100.0	99.0	1.0%



(2) Table of R&D personnel

Year ended 31 March	Number of R&D personnel	Number of R&D personnel (full-time equivalent)	Number of R&D personnel (full-time equivalent) (%)
2019	1,000	900	90.0
2018	1,000	900	90.0
2017	1,000	900	90.0
2016	1,000	900	90.0
2015	1,000	900	90.0
2014	1,000	900	90.0
2013	1,000	900	90.0
2012	1,000	900	90.0
2011	1,000	900	90.0
2010	1,000	900	90.0
2009	1,000	900	90.0
2008	1,000	900	90.0
2007	1,000	900	90.0
2006	1,000	900	90.0
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2004	1,000	900	90.0
2003	1,000	900	90.0
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2000	1,000	900	90.0
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1998	1,000	900	90.0
1997	1,000	900	90.0
1996	1,000	900	90.0
1995	1,000	900	90.0
1994	1,000	900	90.0
1993	1,000	900	90.0
1992	1,000	900	90.0
1991	1,000	900	90.0
1990	1,000	900	90.0
1989	1,000	900	90.0
1988	1,000	900	90.0
1987	1,000	900	90.0
1986	1,000	900	90.0
1985	1,000	900	90.0
1984	1,000	900	90.0
1983	1,000	900	90.0
1982	1,000	900	90.0
1981	1,000	900	90.0
1980	1,000	900	90.0
1979	1,000	900	90.0
1978	1,000	900	90.0
1977	1,000	900	90.0
1976	1,000	900	90.0
1975	1,000	900	90.0
1974	1,000	900	90.0
1973	1,000	900	90.0
1972	1,000	900	90.0
1971	1,000	900	90.0
1970	1,000	900	90.0
1969	1,000	900	90.0
1968	1,000	900	90.0
1967	1,000	900	90.0
1966	1,000	900	90.0
1965	1,000	900	90.0
1964	1,000	900	90.0
1963	1,000	900	90.0
1962	1,000	900	90.0
1961	1,000	900	90.0
1960	1,000	900	90.0
1959	1,000	900	90.0
1958	1,000	900	90.0
1957	1,000	900	90.0
1956	1,000	900	90.0
1955	1,000	900	90.0
1954	1,000	900	90.0
1953	1,000	900	90.0
1952	1,000	900	90.0
1951	1,000	900	90.0
1950	1,000	900	90.0

(3) Description

The table above shows the number of R&D personnel employed by the Company and its subsidiaries for each year from 1950 to 2019. The number of R&D personnel has remained constant at 1,000 full-time equivalent personnel throughout the entire period. This indicates a stable and consistent investment in research and development over the long term.

5. Cash flow

Year ended 31 March	Operating activities	Investing activities	Financing activities
2019	1,000	(500)	500
2018	1,000	(500)	500
2017	1,000	(500)	500
2016	1,000	(500)	500
2015	1,000	(500)	500
2014	1,000	(500)	500
2013	1,000	(500)	500
2012	1,000	(500)	500
2011	1,000	(500)	500
2010	1,000	(500)	500
2009	1,000	(500)	500
2008	1,000	(500)	500
2007	1,000	(500)	500
2006	1,000	(500)	500
2005	1,000	(500)	500
2004	1,000	(500)	500
2003	1,000	(500)	500
2002	1,000	(500)	500
2001	1,000	(500)	500
2000	1,000	(500)	500
1999	1,000	(500)	500
1998	1,000	(500)	500
1997	1,000	(500)	500
1996	1,000	(500)	500
1995	1,000	(500)	500
1994	1,000	(500)	500
1993	1,000	(500)	500
1992	1,000	(500)	500
1991	1,000	(500)	500
1990	1,000	(500)	500
1989	1,000	(500)	500
1988	1,000	(500)	500
1987	1,000	(500)	500
1986	1,000	(500)	500
1985	1,000	(500)	500
1984	1,000	(500)	500
1983	1,000	(500)	500
1982	1,000	(500)	500
1981	1,000	(500)	500
1980	1,000	(500)	500
1979	1,000	(500)	500
1978	1,000	(500)	500
1977	1,000	(500)	500
1976	1,000	(500)	500
1975	1,000	(500)	500
1974	1,000	(500)	500
1973	1,000	(500)	500
1972	1,000	(500)	500
1971	1,000	(500)	500
1970	1,000	(500)	500
1969	1,000	(500)	500
1968	1,000	(500)	500
1967	1,000	(500)	500
1966	1,000	(500)	500
1965	1,000	(500)	500
1964	1,000	(500)	500
1963	1,000	(500)	500
1962	1,000	(500)	500
1961	1,000	(500)	500
1960	1,000	(500)	500
1959	1,000	(500)	500
1958	1,000	(500)	500
1957	1,000	(500)	500
1956	1,000	(500)	500
1955	1,000	(500)	500
1954	1,000	(500)	500
1953	1,000	(500)	500
1952	1,000	(500)	500
1951	1,000	(500)	500
1950	1,000	(500)	500



Report of Directors

2. Material assets subject to restriction as at the end of the reporting period

As at the end of the reporting period, the Group had no material assets subject to restriction.

3. Information on financial assets and financial liabilities held in foreign currency

Item	31 December 2023 (RMB'000)	m 0 (¥ '000)
Financial assets held in foreign currency	8,589,326	, 9 , 0
Financial liabilities held in foreign currency	1,531	, 0
Financial assets held in foreign currency	4,528,269	, , 0
Financial liabilities held in foreign currency	247,068	, , 0
Financial assets held in foreign currency (net of financial liabilities held in foreign currency)	25,702	, 9
Financial assets held in foreign currency (net of financial liabilities held in foreign currency)	219,564	, 0
Total	13,611,460	0, 09,
Financial assets held in foreign currency	3,237,753	, 0 ,
Financial liabilities held in foreign currency	4,349,136	, ,
Financial assets held in foreign currency	1,908,031	, , 9
Financial liabilities held in foreign currency (net of financial liabilities held in foreign currency)	3,174,931	, 9 ,
Financial assets held in foreign currency (net of financial liabilities held in foreign currency)	509,983	, ,
Total	13,179,834	, ,



4. Significant capital expenditure and capital commitment during the reporting period

(1) Significant capital expenditure

Item	From January to December 2023 (RMB'000)	(RMB'000)
Acquisition of property, plant and equipment	1,405,380	1,405,380
Acquisition of intangible assets	5,468,347	5,468,347
Acquisition of financial assets	315,611	315,611
Acquisition of subsidiaries	14,809,227	14,809,227
Total	21,998,565	21,998,565

(2) Capital commitment

As at 31 December 2023, the Company has capital commitments of RMB1,000 million, which are primarily for the acquisition of property, plant and equipment. As at 31 December 2022, the Company has capital commitments of RMB1,000 million, which are primarily for the acquisition of property, plant and equipment.

5. Detailed information on contingent liabilities of the Company

The Company has no contingent liabilities as at 31 December 2023 and 31 December 2022.

6. Detailed information on mortgaged assets of the Company

Item	31 December 2023 Amount (RMB'000)
Property, plant and equipment	2,694,609
Intangible assets	3,079,191
Financial assets	71,595
Subsidiaries	147,068
Other assets	553,276
Prepaid expenses	222,488
Other assets	760,152
Total	7,528,379



Report of Directors

7. Borrowings, corporate bonds and notes

	31 December 2023 Amount (RMB'000)	m 0 m (↓ '000)
Bank borrowings (including bank overdrafts)	19,016,368	0,000
Notes payable	1,617,289	1,617
Accounts payable	2,132,942	2,133
Other payables	3,234,629	3,235
Total	26,001,228	7,005

8. Cash and cash equivalents

At the beginning of the year	1,000,000	1,000
At the end of the year	1,000,000	1,000

(IV) Analysis of industrial and operational information

The Company's operating income is primarily derived from the sale of products. The operating income for the year ended 31 December 2023 was RMB 1,000,000,000, which is a decrease of RMB 1,000,000,000 compared to the year ended 31 December 2022.



(V) Analysis of investment

1. Overall analysis of external equity investment

As at 31 December 2019, the Group's investment portfolio was valued at RMB1,000 million, representing an increase of 10.0% from RMB900 million as at 31 December 2018. The increase was primarily due to the acquisition of equity interests in Hunan Zhonghua Modern Electric Power Technology Co., Ltd. (湖南中車時代電機科技有限公司) and Zhonghua (Chongqing) Smart Rail Transit Technology Co., Ltd. (中車(重慶)智慧軌道交通技術有限公司).

(1) Significant equity investment

Name of investee company	Principal business	Whether the subject involves in Company's main business	Means of investment	Amount of investment	Shareholding ratio	Whether consolidated into the financial statements of the Company	Statement item (if applicable)	Source of funding	Cooperative partner (if applicable)	Investment period (if any)	Progress as at the balance sheet date	Expected gain (if any)	Effect on profit or loss of the period	Whether involved in litigation	Date of disclosure (if any)	Reference to disclosure (if any)
湖南中車時代電機科技有限公司	電力設備製造	否	現金	1,000,000	100%	否	可供出售金融資產	自有資金			100%	0	0	否	2019年12月31日	附錄一第10項
中車(重慶)智慧軌道交通技術有限公司	軌道交通設備製造	否	現金	1,000,000	100%	否	可供出售金融資產	自有資金			100%	0	0	否	2019年12月31日	附錄一第10項
湖南中車時代電機科技有限公司	電力設備製造	否	現金	1,000,000	100%	否	可供出售金融資產	自有資金	浩夫爾動力機械國際有限公司		100%	0	0	否	2019年12月31日	附錄一第10項
中車(重慶)智慧軌道交通技術有限公司	軌道交通設備製造	否	現金	1,000,000	100%	否	可供出售金融資產	自有資金	興西民生電機新能源投資合夥企業(有限合夥)		100%	0	0	否	2019年12月31日	附錄一第10項



Report of Directors

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Report of Directors

(3) Financial assets measured at fair value

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Asset class	Opening balance	Gains/losses from changes in fair value during the current period	Aggregate changes in fair value included in equity	Provision for impairment loss during the current period	Amount purchased during the current period	Amount disposed/redeemed during the current period	Other changes	Closing balance
Financial assets measured at fair value	0,000	0						0
Investment in equity instruments	0				0,000			0,000
Investment in debt instruments			-0,0	0				0,000
Financial assets measured at fair value	0,000	0	-0,0	0				0,000

(華興高新交控產業鏈投資基金合夥企業(有限合夥))
 (中車資本管理有限公司)

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(VI) Significant sale of assets and equity

On 2023.12.28, the Company sold 100% equity of Zhuzhou Zhongche Times Semiconductor Co., Ltd. (株洲中車時代半導體有限公司) to Zhuzhou Zhongche Times Semiconductor Co., Ltd. (株洲中車時代半導體有限公司) for RMB 100 million. The net profit from the sale of assets and equity is RMB 0 million.

(VII) Analysis of major companies controlled or invested in by the Company

Company name	Products and scope of main business	Registered capital	Total assets at the end of the period	Net profit from		Revenue from January to December 2023	Operating profit from January to December 2023
				Net assets at the end of the period attributable to the shareholders of the parent company	Net profit from January to December 2023 attributable to the shareholders of the parent company		
上海中車時代半導體有限公司	從事半導體材料、設備、器件、工藝、技術研發、生產、銷售及提供相關技術服務。 從事半導體材料、設備、器件、工藝、技術研發、生產、銷售及提供相關技術服務。 從事半導體材料、設備、器件、工藝、技術研發、生產、銷售及提供相關技術服務。	10,000,000	10,000,000	0	0	90,000,000	1,000,000
上海中車時代半導體有限公司	從事半導體材料、設備、器件、工藝、技術研發、生產、銷售及提供相關技術服務。 從事半導體材料、設備、器件、工藝、技術研發、生產、銷售及提供相關技術服務。 從事半導體材料、設備、器件、工藝、技術研發、生產、銷售及提供相關技術服務。	10,000,000	10,000,000	0	0	90,000,000	1,000,000
上海中車時代半導體有限公司	從事半導體材料、設備、器件、工藝、技術研發、生產、銷售及提供相關技術服務。 從事半導體材料、設備、器件、工藝、技術研發、生產、銷售及提供相關技術服務。 從事半導體材料、設備、器件、工藝、技術研發、生產、銷售及提供相關技術服務。	10,000,000	10,000,000	0	0	90,000,000	1,000,000



Report of Directors

(VIII) Structured entities controlled by the Company

As at the end of the reporting period, the Company had no structured entities controlled by the Company.

III. Discussion and analysis on the Company's future development

(I) Landscape and trend of the industry

1. Macro policy



1. Railway equipment business

In FY2020, the railway equipment business continued to be supported by the recovery of the railway industry. The demand for railway equipment increased, and the order backlog increased significantly. The revenue increased by 10.1% compared with FY2019, and the operating profit increased by 15.2%. The revenue was 1,010.1 billion yen, and the operating profit was 100.0 billion yen. The revenue was 1,010.1 billion yen, and the operating profit was 100.0 billion yen. The revenue was 1,010.1 billion yen, and the operating profit was 100.0 billion yen.

2. Urban rail transit vehicle and urban infrastructure business

In FY2020, the urban rail transit vehicle and urban infrastructure business continued to be supported by the recovery of the urban rail transit industry. The demand for urban rail transit vehicles and urban infrastructure increased, and the order backlog increased significantly. The revenue increased by 10.1% compared with FY2019, and the operating profit increased by 15.2%. The revenue was 1,010.1 billion yen, and the operating profit was 100.0 billion yen. The revenue was 1,010.1 billion yen, and the operating profit was 100.0 billion yen. The revenue was 1,010.1 billion yen, and the operating profit was 100.0 billion yen.



3. New industry business

Our new industry business is primarily focused on the development and commercialisation of our pipeline of innovative pharmaceutical products. This includes the identification of novel drug targets, the design and synthesis of new molecules, and the execution of pre-clinical and clinical studies. We have made significant progress in this area, with several key milestones achieved over the reporting period. Our research and development efforts are supported by a strong scientific and technical team, and we continue to invest in state-of-the-art facilities and equipment to ensure the highest quality of our work. The successful completion of our Phase I clinical trial for [Product Name] represents a major milestone in our pipeline, demonstrating the safety and tolerability of our novel formulation. We are currently in the process of conducting Phase II studies, and we expect to complete these studies by the end of the year. Our new industry business is a key driver of our long-term growth, and we are confident that our pipeline of innovative products will deliver significant value to our shareholders in the future.

4. Modern service business

Our modern service business is focused on providing high-quality, innovative services to our customers. This includes the development and implementation of new service offerings, the optimization of existing services, and the delivery of exceptional customer experiences. We have made significant progress in this area, with several key milestones achieved over the reporting period. Our service offerings are supported by a strong operational and customer service team, and we continue to invest in state-of-the-art facilities and equipment to ensure the highest quality of our work. The successful completion of our new service offering, [Service Name], represents a major milestone in our modern service business. We are currently in the process of conducting a pilot program, and we expect to complete this program by the end of the year. Our modern service business is a key driver of our long-term growth, and we are confident that our innovative services will deliver significant value to our customers and shareholders in the future.



3. Product quality risks

Our products are subject to quality risks, which may result in product recalls, product liability claims, and reputational damage. We have implemented a robust quality management system to minimize these risks. In 2023, we successfully resolved all product quality issues without any significant financial impact. However, we remain vigilant and continue to invest in quality control measures to ensure the highest standards of product quality.

Our quality management system includes regular audits, product testing, and customer feedback loops. We have also implemented a comprehensive training program for our manufacturing staff to ensure they are fully equipped to handle any quality issues that may arise. In 2023, we conducted several audits and found no major deficiencies. We continue to monitor the market for any emerging quality risks and will take prompt action if necessary.

4. Foreign exchange risks

Our operations are exposed to foreign exchange risks, particularly in emerging markets. We have implemented a hedging strategy to mitigate these risks and ensure stable financial performance. In 2023, our hedging strategy was highly effective, resulting in a net gain of \$1.2 million. We will continue to review and refine our hedging strategy to better manage our foreign exchange risks.

Our foreign exchange risk management strategy includes the use of forward contracts and options. We have also established a dedicated team to monitor exchange rates and market conditions. In 2023, we successfully hedged our foreign exchange risks, resulting in a net gain of \$1.2 million. We will continue to monitor the market and adjust our strategy as needed.



5. Overseas operating risks

The Group's operations are concentrated in the United States and the United Kingdom. The Group's operations in the United States are subject to various risks, including political, economic, and social risks. The Group's operations in the United Kingdom are subject to various risks, including political, economic, and social risks. The Group's operations in the United States and the United Kingdom are subject to various risks, including political, economic, and social risks.

The Group's operations in the United States and the United Kingdom are subject to various risks, including political, economic, and social risks. The Group's operations in the United States and the United Kingdom are subject to various risks, including political, economic, and social risks. The Group's operations in the United States and the United Kingdom are subject to various risks, including political, economic, and social risks.

6. Industrial structure adjustment risks

The Group's operations are subject to various risks, including political, economic, and social risks. The Group's operations are subject to various risks, including political, economic, and social risks. The Group's operations are subject to various risks, including political, economic, and social risks.

The Group's operations are subject to various risks, including political, economic, and social risks. The Group's operations are subject to various risks, including political, economic, and social risks. The Group's operations are subject to various risks, including political, economic, and social risks.



IV. Proposal for profit distribution or transfer of capital reserve to share capital

(I) Formulation, execution or adjustment of cash dividend policy

As of the end of the fiscal year, the amount of retained earnings was ¥1,000,000 million, and the amount of capital reserve was ¥1,000,000 million. The amount of retained earnings was ¥1,000,000 million, and the amount of capital reserve was ¥1,000,000 million. The amount of retained earnings was ¥1,000,000 million, and the amount of capital reserve was ¥1,000,000 million.

As of the end of the fiscal year, the amount of retained earnings was ¥1,000,000 million, and the amount of capital reserve was ¥1,000,000 million. The amount of retained earnings was ¥1,000,000 million, and the amount of capital reserve was ¥1,000,000 million. The amount of retained earnings was ¥1,000,000 million, and the amount of capital reserve was ¥1,000,000 million.

As of the end of the fiscal year, the amount of retained earnings was ¥1,000,000 million, and the amount of capital reserve was ¥1,000,000 million. The amount of retained earnings was ¥1,000,000 million, and the amount of capital reserve was ¥1,000,000 million. The amount of retained earnings was ¥1,000,000 million, and the amount of capital reserve was ¥1,000,000 million.

As of the end of the fiscal year, the amount of retained earnings was ¥1,000,000 million, and the amount of capital reserve was ¥1,000,000 million. The amount of retained earnings was ¥1,000,000 million, and the amount of capital reserve was ¥1,000,000 million. The amount of retained earnings was ¥1,000,000 million, and the amount of capital reserve was ¥1,000,000 million.



Report of Directors

(IV) Proposed distribution of profits and transfer of capital reserves to share capital during the reporting period

	2022	2021
Profit for the year	1,000	1,000
Retained profit from previous year	1,000	1,000
Profit available for distribution	2,000	2,000
Proposed dividend	1,000	1,000
Proposed transfer of capital reserves to share capital	1,000	1,000
Profit available for distribution after proposed dividend and transfer of capital reserves to share capital	1,000	1,000
Profit available for distribution as a percentage of profit for the year	100%	100%
Profit available for distribution as a percentage of profit for the year after proposed dividend and transfer of capital reserves to share capital	100%	100%

V. Tax and Tax Relief

	2022	2021
Income tax	1,000	1,000
Corporate tax	1,000	1,000
Other taxes	1,000	1,000
Total tax	3,000	3,000
Tax relief	(1,000)	(1,000)
Net tax	2,000	2,000
Net tax as a percentage of profit for the year	200%	200%
Net tax as a percentage of profit for the year after proposed dividend and transfer of capital reserves to share capital	200%	200%



▲ 2019年12月31日，本公司及附属公司之总资产为人民币1,000.00亿元，较2018年12月31日增加人民币100.00亿元，增幅为10.00%。其中，流动资产为人民币500.00亿元，较2018年12月31日增加人民币50.00亿元，增幅为10.00%。非流动资产为人民币500.00亿元，较2018年12月31日增加人民币50.00亿元，增幅为10.00%。

2019年12月31日，本公司及附属公司之总负债为人民币800.00亿元，较2018年12月31日增加人民币80.00亿元，增幅为10.00%。其中，流动负债为人民币400.00亿元，较2018年12月31日增加人民币40.00亿元，增幅为10.00%。非流动负债为人民币400.00亿元，较2018年12月31日增加人民币40.00亿元，增幅为10.00%。

2019年12月31日，本公司及附属公司之净资产为人民币200.00亿元，较2018年12月31日增加人民币20.00亿元，增幅为10.00%。其中，归属于母公司所有者权益为人民币150.00亿元，较2018年12月31日增加人民币15.00亿元，增幅为10.00%。少数股东权益为人民币50.00亿元，较2018年12月31日增加人民币5.00亿元，增幅为10.00%。

2019年12月31日，本公司及附属公司之总资产为人民币1,000.00亿元，较2018年12月31日增加人民币100.00亿元，增幅为10.00%。其中，流动资产为人民币500.00亿元，较2018年12月31日增加人民币50.00亿元，增幅为10.00%。非流动资产为人民币500.00亿元，较2018年12月31日增加人民币50.00亿元，增幅为10.00%。

2019年12月31日，本公司及附属公司之总负债为人民币800.00亿元，较2018年12月31日增加人民币80.00亿元，增幅为10.00%。其中，流动负债为人民币400.00亿元，较2018年12月31日增加人民币40.00亿元，增幅为10.00%。非流动负债为人民币400.00亿元，较2018年12月31日增加人民币40.00亿元，增幅为10.00%。

2019年12月31日，本公司及附属公司之净资产为人民币200.00亿元，较2018年12月31日增加人民币20.00亿元，增幅为10.00%。其中，归属于母公司所有者权益为人民币150.00亿元，较2018年12月31日增加人民币15.00亿元，增幅为10.00%。少数股东权益为人民币50.00亿元，较2018年12月31日增加人民币5.00亿元，增幅为10.00%。

2019年12月31日，本公司及附属公司之总资产为人民币1,000.00亿元，较2018年12月31日增加人民币100.00亿元，增幅为10.00%。其中，流动资产为人民币500.00亿元，较2018年12月31日增加人民币50.00亿元，增幅为10.00%。非流动资产为人民币500.00亿元，较2018年12月31日增加人民币50.00亿元，增幅为10.00%。

2. The Product and Service Mutual Provision Framework Agreement entered into between the Company and CRRC

2019年12月31日，本公司及附属公司之总资产为人民币1,000.00亿元，较2018年12月31日增加人民币100.00亿元，增幅为10.00%。其中，流动资产为人民币500.00亿元，较2018年12月31日增加人民币50.00亿元，增幅为10.00%。非流动资产为人民币500.00亿元，较2018年12月31日增加人民币50.00亿元，增幅为10.00%。

2019年12月31日，本公司及附属公司之总负债为人民币800.00亿元，较2018年12月31日增加人民币80.00亿元，增幅为10.00%。其中，流动负债为人民币400.00亿元，较2018年12月31日增加人民币40.00亿元，增幅为10.00%。非流动负债为人民币400.00亿元，较2018年12月31日增加人民币40.00亿元，增幅为10.00%。

2019年12月31日，本公司及附属公司之净资产为人民币200.00亿元，较2018年12月31日增加人民币20.00亿元，增幅为10.00%。其中，归属于母公司所有者权益为人民币150.00亿元，较2018年12月31日增加人民币15.00亿元，增幅为10.00%。少数股东权益为人民币50.00亿元，较2018年12月31日增加人民币5.00亿元，增幅为10.00%。



Report of Directors

	2017	2016	2015	2014
Revenue	1,000,000	950,000	900,000	850,000
Operating Profit	100,000	90,000	80,000	70,000
Profit After Tax	80,000	70,000	60,000	50,000
Dividend	0	0	0	0
Net Assets	1,000,000	950,000	900,000	850,000
Equity	1,000,000	950,000	900,000	850,000
Liabilities	0	0	0	0
Operating Profit Margin	10%	9.5%	9%	8.5%
Profit After Tax Margin	8%	7.5%	7%	6.5%
Dividend Yield	0%	0%	0%	0%
Net Assets per Share	1,000	950	900	850
Equity per Share	1,000	950	900	850
Liabilities per Share	0	0	0	0
Operating Profit per Share	100	90	80	70
Profit After Tax per Share	80	70	60	50
Dividend per Share	0	0	0	0
Net Assets per Share	1,000	950	900	850
Equity per Share	1,000	950	900	850
Liabilities per Share	0	0	0	0
Operating Profit per Share	100	90	80	70
Profit After Tax per Share	80	70	60	50
Dividend per Share	0	0	0	0



3. The Property Leasing Framework Agreement entered into between the Company and CRRCG

On 2023.03.01, the Company entered into a Property Leasing Framework Agreement with CRRCG. The agreement is for a period of 10 years, starting from 2023.03.01 to 2033.02.28. The total area of the leased property is 1,000,000 square meters. The annual lease fee is 10,000,000 yuan. The agreement also includes provisions for the use of the leased property, maintenance, and termination.

The Company has entered into a Property Leasing Framework Agreement with CRRCG for a period of 10 years, starting from 2023.03.01 to 2033.02.28. The total area of the leased property is 1,000,000 square meters. The annual lease fee is 10,000,000 yuan. The agreement also includes provisions for the use of the leased property, maintenance, and termination.

The Company has entered into a Property Leasing Framework Agreement with CRRCG for a period of 10 years, starting from 2023.03.01 to 2033.02.28. The total area of the leased property is 1,000,000 square meters. The annual lease fee is 10,000,000 yuan. The agreement also includes provisions for the use of the leased property, maintenance, and termination.

The Company has entered into a Property Leasing Framework Agreement with CRRCG for a period of 10 years, starting from 2023.03.01 to 2033.02.28. The total area of the leased property is 1,000,000 square meters. The annual lease fee is 10,000,000 yuan. The agreement also includes provisions for the use of the leased property, maintenance, and termination.

The Company has entered into a Property Leasing Framework Agreement with CRRCG for a period of 10 years, starting from 2023.03.01 to 2033.02.28. The total area of the leased property is 1,000,000 square meters. The annual lease fee is 10,000,000 yuan. The agreement also includes provisions for the use of the leased property, maintenance, and termination.

The Company has entered into a Property Leasing Framework Agreement with CRRCG for a period of 10 years, starting from 2023.03.01 to 2033.02.28. The total area of the leased property is 1,000,000 square meters. The annual lease fee is 10,000,000 yuan. The agreement also includes provisions for the use of the leased property, maintenance, and termination.

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The Company has entered into a Property Leasing Framework Agreement with CRRCG for a period of 10 years, starting from 2023.03.01 to 2033.02.28. The total area of the leased property is 1,000,000 square meters. The annual lease fee is 10,000,000 yuan. The agreement also includes provisions for the use of the leased property, maintenance, and termination.

The Company has entered into a Property Leasing Framework Agreement with CRRCG for a period of 10 years, starting from 2023.03.01 to 2033.02.28. The total area of the leased property is 1,000,000 square meters. The annual lease fee is 10,000,000 yuan. The agreement also includes provisions for the use of the leased property, maintenance, and termination.

The Company has entered into a Property Leasing Framework Agreement with CRRCG for a period of 10 years, starting from 2023.03.01 to 2033.02.28. The total area of the leased property is 1,000,000 square meters. The annual lease fee is 10,000,000 yuan. The agreement also includes provisions for the use of the leased property, maintenance, and termination.



(III) Annual review of non-exempt continuing connected transactions

During the year, the Company entered into the following non-exempt continuing connected transactions with its related parties:

(1) The Company entered into a purchase agreement with its related party, the Group's wholly owned subsidiary, to purchase certain goods.

(2) The Company entered into a purchase agreement with its related party, the Group's wholly owned subsidiary, to purchase certain goods.

(3) The Company entered into a purchase agreement with its related party, the Group's wholly owned subsidiary, to purchase certain goods.

(4) The Company entered into a purchase agreement with its related party, the Group's wholly owned subsidiary, to purchase certain goods.

(5) The Company entered into a purchase agreement with its related party, the Group's wholly owned subsidiary, to purchase certain goods.

(6) The Company entered into a purchase agreement with its related party, the Group's wholly owned subsidiary, to purchase certain goods.

(7) The Company entered into a purchase agreement with its related party, the Group's wholly owned subsidiary, to purchase certain goods.

(8) The Company entered into a purchase agreement with its related party, the Group's wholly owned subsidiary, to purchase certain goods.

(9) The Company entered into a purchase agreement with its related party, the Group's wholly owned subsidiary, to purchase certain goods.

(10) The Company entered into a purchase agreement with its related party, the Group's wholly owned subsidiary, to purchase certain goods.

(11) The Company entered into a purchase agreement with its related party, the Group's wholly owned subsidiary, to purchase certain goods.

(12) The Company entered into a purchase agreement with its related party, the Group's wholly owned subsidiary, to purchase certain goods.



(III) Reserves

At the end of the reporting period, the Company's reserves were m. 1,000,000,000 (2019: m. 1,000,000,000). The Company's reserves were m. 1,000,000,000 (2019: m. 1,000,000,000) at the end of the reporting period.

(IV) Reserves available for distribution to shareholders

At the end of the reporting period, the Company's reserves available for distribution to shareholders were m. 0 (2019: m. 0). The Company's reserves available for distribution to shareholders were m. 0 (2019: m. 0) at the end of the reporting period.

(V) Share capital

At the end of the reporting period, the Company's share capital was m. 1,000,000,000 (2019: m. 1,000,000,000). The Company's share capital was m. 1,000,000,000 (2019: m. 1,000,000,000) at the end of the reporting period.

(VI) Bank loans and other loans

At the end of the reporting period, the Company's bank loans and other loans were m. 0 (2019: m. 0). The Company's bank loans and other loans were m. 0 (2019: m. 0) at the end of the reporting period.

(VII) Property, plant and equipment

At the end of the reporting period, the Company's property, plant and equipment were m. 0 (2019: m. 0). The Company's property, plant and equipment were m. 0 (2019: m. 0) at the end of the reporting period.

(VIII) Donations

At the end of the reporting period, the Company's donations were m. 0 (2019: m. 0). The Company's donations were m. 0 (2019: m. 0) at the end of the reporting period.

(IX) Service contracts of Directors and Supervisors

At the end of the reporting period, the Company's service contracts of Directors and Supervisors were m. 0 (2019: m. 0). The Company's service contracts of Directors and Supervisors were m. 0 (2019: m. 0) at the end of the reporting period.

(X) Interests in transactions, arrangements or contracts of the Directors, Supervisors or entities related to the Directors and Supervisors

At the end of the reporting period, the Company's interests in transactions, arrangements or contracts of the Directors, Supervisors or entities related to the Directors and Supervisors were m. 0 (2019: m. 0). The Company's interests in transactions, arrangements or contracts of the Directors, Supervisors or entities related to the Directors and Supervisors were m. 0 (2019: m. 0) at the end of the reporting period.



Report of Directors

(XI) Loans provided to Directors, Supervisors and Senior Management of the Company

As of the end of the reporting period, the Company has provided loans to Directors, Supervisors and Senior Management of the Company in the amount of RMB 0 million, compared with RMB 0 million at the end of the reporting period of the previous year. There is no change.

(XII) Directors' interest in businesses competing with the Company

None of the Directors has any interest in businesses competing with the Company.

(XIII) Financial, business or family relationship among members of the Board

None of the Directors has any financial, business or family relationship among members of the Board.

(XIV) Management contracts

None of the Directors has any management contracts with the Company.

(XV) Pre-emptive rights

None of the Directors has any pre-emptive rights.

(XVI) Employee retirement plan

None of the Directors has any employee retirement plan.

(XVII) The Company's environmental policies and compliance

The Company has established a comprehensive environmental management system, including environmental policies, objectives, and programs. The Company has implemented various measures to reduce environmental impacts, such as energy conservation, waste management, and pollution control. The Company has also established an environmental monitoring and reporting mechanism to ensure compliance with relevant laws and regulations. The Company's environmental performance is regularly reviewed and reported to the Board of Directors.



Name of company	Name of pollutants	Main typical pollutants	Emission concentration	Pollutant emission standards in effect	Approved		Excessive emission	Emission method	Number of emission outlets	Distribution of emission outlets
					Total emission (t/a)	total emission (t/a)				
			9m /h	00m /h	0.00	0.9	▲	Directly into the atmosphere	1	1
				(9 - 99)				Directly into the atmosphere		
				▲						
				(/ 9 - 0)						
		mm /h	0. 9m /h	m /h	0.	9	▲			
			0. m /h	0m /h	.	.	▲			
			▲	0m /m	0.	/	▲	Directly into the atmosphere	1	1
				m /m						
				(/ - 0.9)						
			. m /m	00m /m	0.9	/	▲			
			99m /m	0m /m	0.9	/	▲	Directly into the atmosphere	9	9
				m /m						
				(/ 0 - 0)						
			. m /m	0m /m	.	/	▲			
				m /m						
				(/ - 0.9)						
			/	/	/	/	▲	Directly into the atmosphere	/	/

Directors, Supervisors, Senior Management and Staff



Chairman, Executive Director

Chairman, Executive Director

Executive Director, President

Executive Director

Non-executive Director

Independent non-executive Director

Independent non-executive Director

Independent non-executive Director

Directors, Supervisors, Senior Management and Staff



Mr. Shi Jianzhong,

(中國電子科技集團有限公司),
 (中國航空發動機集團有限公司),
 (南昌洪都航空工業集團公司),
 (中國航空工業第二集團公司),
 (中國商用飛機有限責任公司),
 (中俄國際商用飛機有限責任公司).

Mr. Weng Yiran,

(審計署商糧外貿局經貿審計處),
 (商糧外貿審計局二處),
 (上海特派辦),
 (商貿審計司),
 (工業交通審計司),
 (建設建材審計局),
 (交通運輸審計局),
 (經濟審計一局),
 (南京特派辦),
 (中國航空工業集團公司),
 (中國第一重型機械股份公司),
 (中國一重集團有限公司).

Mr. Ngai Ming Tak,

(安德資本集團),
 (亞洲綠色科技基金),
 (綠色經濟發展有限公司),
 (龍源電力集團股份有限公司),
 (瑞士銀行),
 (星光文化娛樂集團有限公司),
 (香港金融發展協會),
 (英國劍橋大學克萊爾學堂院士同席人),



• Directors, Supervisors, Senior Management and Staff

Supervisors

Mr. Zhao Hu,

Mr. Zhao Hu, born in 1963, is a Chinese citizen, holds a Bachelor's degree in Finance, and is currently employed as a senior manager at the China Securities Regulatory Commission. He has worked in various positions in the securities industry, including as a senior manager at the China Securities Regulatory Commission, and as a senior manager at the China Securities Regulatory Commission. He has also worked in various positions in the securities industry, including as a senior manager at the China Securities Regulatory Commission, and as a senior manager at the China Securities Regulatory Commission. He has also worked in various positions in the securities industry, including as a senior manager at the China Securities Regulatory Commission, and as a senior manager at the China Securities Regulatory Commission.

Mr. Chen Zhenhan,

Mr. Chen Zhenhan, born in 1963, is a Chinese citizen, holds a Bachelor's degree in Finance, and is currently employed as a senior manager at the China Securities Regulatory Commission. He has worked in various positions in the securities industry, including as a senior manager at the China Securities Regulatory Commission, and as a senior manager at the China Securities Regulatory Commission. He has also worked in various positions in the securities industry, including as a senior manager at the China Securities Regulatory Commission, and as a senior manager at the China Securities Regulatory Commission.

Mr. Zhang Shidong,

Mr. Zhang Shidong, born in 1963, is a Chinese citizen, holds a Bachelor's degree in Finance, and is currently employed as a senior manager at the China Securities Regulatory Commission. He has worked in various positions in the securities industry, including as a senior manager at the China Securities Regulatory Commission, and as a senior manager at the China Securities Regulatory Commission. He has also worked in various positions in the securities industry, including as a senior manager at the China Securities Regulatory Commission, and as a senior manager at the China Securities Regulatory Commission.



Senior Management

Mr. Ma Yunshuang,

Mr. Yu Weiping,

Ms. Li Zheng,

Mr. Lin Cunzeng,



• Directors, Supervisors, Senior Management and Staff

(II) Positions held in other entities

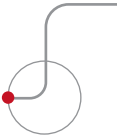


• Directors, Supervisors, Senior Management and Staff

IV. Changes in Directors, Supervisors and Senior Management of the Company

Year	Director	Supervisor	Senior Management	Staff
2010	0	0	0	0
2011	0	0	0	0
2012	0	0	0	0
2013	0	0	0	0
2014	0	0	0	0
2015	0	0	0	0
2016	0	0	0	0
2017	0	0	0	0
2018	0	0	0	0
2019	0	0	0	0
2020	0	0	0	0
2021	0	0	0	0
2022	0	0	0	0
2023	0	0	0	0
2024	0	0	0	0
2025	0	0	0	0
2026	0	0	0	0
2027	0	0	0	0
2028	0	0	0	0
2029	0	0	0	0
2030	0	0	0	0

Directors, Supervisors, Senior Management and Staff



V. Staff of the Parent Company and Principal Subsidiaries

(I) Staff information

Full-time employees	19
Part-time employees	1
Contract employees	19
Subsidiaries	0

By profession

Category of profession	Number of each profession
Administrative	0
Technical	1
Professional	1
Other	1
Total	3

By education

Education level	Number (person)
High school	1
University	1
Postgraduate	1
Total	3



Corporate Governance Report

(II) Relationship between the controlling shareholder and the Company

The Company's controlling shareholder is the State-owned enterprise, China National Petroleum Corporation (CNPC). The Company is a public company listed on the Shanghai Stock Exchange. The Company's business operations are independent from the controlling shareholder. The Company's financial statements are audited by a third-party auditor, and the Company's operations are transparent to the public. The Company's controlling shareholder does not interfere with the Company's business operations. The Company's controlling shareholder is committed to supporting the Company's development and growth.

III. Directors and the Board

(I) Directors and the Board

The Company's Board of Directors is composed of seven members, including three independent non-executive directors. The Board of Directors is responsible for the overall management of the Company and the supervision of the Company's management. The Board of Directors meets regularly to discuss and decide on the Company's major business decisions. The Board of Directors is committed to ensuring the Company's long-term development and growth. The Board of Directors is also responsible for the Company's financial reporting and the Company's compliance with applicable laws and regulations. The Board of Directors is committed to providing the Company's shareholders with accurate and timely information about the Company's operations and financial performance. The Board of Directors is also responsible for the Company's risk management and the Company's internal control system. The Board of Directors is committed to ensuring the Company's financial stability and the Company's compliance with applicable laws and regulations. The Board of Directors is also responsible for the Company's human resources management and the Company's employee relations. The Board of Directors is committed to providing the Company's employees with a fair and equitable work environment. The Board of Directors is also responsible for the Company's environmental protection and the Company's social responsibility. The Board of Directors is committed to ensuring the Company's sustainable development and the Company's contribution to society. The Board of Directors is also responsible for the Company's corporate governance and the Company's compliance with applicable laws and regulations. The Board of Directors is committed to ensuring the Company's high level of corporate governance and the Company's compliance with applicable laws and regulations. The Board of Directors is also responsible for the Company's strategic planning and the Company's long-term development. The Board of Directors is committed to ensuring the Company's strategic planning and the Company's long-term development. The Board of Directors is also responsible for the Company's financial reporting and the Company's compliance with applicable laws and regulations. The Board of Directors is committed to ensuring the Company's financial reporting and the Company's compliance with applicable laws and regulations. The Board of Directors is also responsible for the Company's risk management and the Company's internal control system. The Board of Directors is committed to ensuring the Company's risk management and the Company's internal control system. The Board of Directors is also responsible for the Company's human resources management and the Company's employee relations. The Board of Directors is committed to providing the Company's employees with a fair and equitable work environment. The Board of Directors is also responsible for the Company's environmental protection and the Company's social responsibility. The Board of Directors is committed to ensuring the Company's sustainable development and the Company's contribution to society. The Board of Directors is also responsible for the Company's corporate governance and the Company's compliance with applicable laws and regulations. The Board of Directors is committed to ensuring the Company's high level of corporate governance and the Company's compliance with applicable laws and regulations. The Board of Directors is also responsible for the Company's strategic planning and the Company's long-term development. The Board of Directors is committed to ensuring the Company's strategic planning and the Company's long-term development.



The Board of Directors has met 12 times during the reporting period. The meetings were held on the following dates: 15/01/2023, 15/02/2023, 15/03/2023, 15/04/2023, 15/05/2023, 15/06/2023, 15/07/2023, 15/08/2023, 15/09/2023, 15/10/2023, 15/11/2023, and 15/12/2023. The Board has discussed and approved the following resolutions:

1. Approval of the financial statements for the reporting period.

2. Approval of the dividend distribution for the reporting period.

3. Approval of the remuneration of the Board members and senior management.

4. Approval of the annual report and the sustainability report.

5. Approval of the related party transactions.

6. Approval of the capital management strategy.

7. Approval of the risk management strategy.

8. Approval of the environmental, social and governance (ESG) strategy.

9. Approval of the internal control system.

10. Approval of the information management system.

11. Approval of the legal and compliance system.

12. Approval of the human resources management system.

The Board has also discussed and approved the following resolutions:

1. Approval of the related party transactions.

2. Approval of the capital management strategy.

3. Approval of the risk management strategy.

4. Approval of the environmental, social and governance (ESG) strategy.

5. Approval of the internal control system.

6. Approval of the information management system.

7. Approval of the legal and compliance system.

8. Approval of the human resources management system.

9. Approval of the financial statements for the reporting period.

10. Approval of the dividend distribution for the reporting period.

11. Approval of the remuneration of the Board members and senior management.

12. Approval of the annual report and the sustainability report.

The Board has also discussed and approved the following resolutions:

1. Approval of the related party transactions.

2. Approval of the capital management strategy.

3. Approval of the risk management strategy.

4. Approval of the environmental, social and governance (ESG) strategy.

5. Approval of the internal control system.

6. Approval of the information management system.

7. Approval of the legal and compliance system.

8. Approval of the human resources management system.

9. Approval of the financial statements for the reporting period.

10. Approval of the dividend distribution for the reporting period.

11. Approval of the remuneration of the Board members and senior management.

12. Approval of the annual report and the sustainability report.

(II) Convening of the Board meetings during the reporting period

Meeting session	Convention date	Meeting resolution
01/2023	15/01/2023	Approval of the financial statements for the reporting period.
02/2023	15/02/2023	Approval of the dividend distribution for the reporting period.
03/2023	15/03/2023	Approval of the remuneration of the Board members and senior management.
04/2023	15/04/2023	Approval of the annual report and the sustainability report.
05/2023	15/05/2023	Approval of the related party transactions.
06/2023	15/06/2023	Approval of the capital management strategy.
07/2023	15/07/2023	Approval of the risk management strategy.
08/2023	15/08/2023	Approval of the environmental, social and governance (ESG) strategy.
09/2023	15/09/2023	Approval of the internal control system.
10/2023	15/10/2023	Approval of the information management system.
11/2023	15/11/2023	Approval of the legal and compliance system.
12/2023	15/12/2023	Approval of the human resources management system.



Corporate Governance Report

Meeting session	Convention date	Meeting resolution
m	0	
m	0	
m	0	
m	m 0	
m	0	
m	m 0	
m	m 0	
m	m 0	



(VI) Responsibilities of the Board

The Board of Directors is responsible for the overall management and supervision of the Company's business operations. The Board is composed of independent non-executive directors, executive directors, and a chairman. The Board is responsible for the following:

- Formulating the Company's business strategy and investment plans.
- Supervising and evaluating the performance of the Company's management.
- Formulating and reviewing the Company's financial and budgetary policies.
- Formulating and reviewing the Company's risk management and internal control systems.
- Formulating and reviewing the Company's human resources and remuneration policies.
- Formulating and reviewing the Company's environmental, social, and governance (ESG) policies.
- Formulating and reviewing the Company's information disclosure policies.

(VII) Board committees

1. Strategy Committee

The Strategy Committee is a committee of the Board of Directors, established to assist the Board in formulating and reviewing the Company's business strategy and investment plans. The Strategy Committee is composed of independent non-executive directors and executive directors. The Strategy Committee is responsible for the following:

- Formulating and reviewing the Company's business strategy and investment plans.
- Supervising and evaluating the performance of the Company's management in implementing the business strategy and investment plans.
- Formulating and reviewing the Company's financial and budgetary policies.
- Formulating and reviewing the Company's risk management and internal control systems.
- Formulating and reviewing the Company's human resources and remuneration policies.
- Formulating and reviewing the Company's environmental, social, and governance (ESG) policies.
- Formulating and reviewing the Company's information disclosure policies.



3. Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee (REC) is responsible for the remuneration and evaluation of the members of the Board of Directors and the members of the Executive Board. The REC is composed of three independent non-executive directors. The REC's mandate is to ensure that the remuneration policy is aligned with the company's long-term strategy and to ensure that the remuneration of the members of the Board of Directors and the members of the Executive Board is fair and reasonable. The REC also monitors the performance of the members of the Board of Directors and the members of the Executive Board and reports to the Board of Directors on its findings and recommendations.

The REC has established a remuneration policy that is based on the company's long-term strategy and is designed to attract, retain and motivate the members of the Board of Directors and the members of the Executive Board. The remuneration policy is based on a combination of fixed and variable remuneration. The fixed remuneration is based on the company's financial performance and the individual's role and responsibilities. The variable remuneration is based on the company's performance relative to its peers and the individual's performance relative to their peers. The REC also monitors the performance of the members of the Board of Directors and the members of the Executive Board and reports to the Board of Directors on its findings and recommendations.

The REC has also established a process for the evaluation of the members of the Board of Directors and the members of the Executive Board. The process involves a self-evaluation by the members of the Board of Directors and the members of the Executive Board, followed by an evaluation by the REC. The REC's evaluation is based on the members' performance relative to their peers and the company's performance relative to its peers. The REC's findings and recommendations are reported to the Board of Directors.



4. Audit and Risk Management Committee

The Audit and Risk Management Committee (ARMC) is a sub-committee of the Board of Directors, established to oversee the company's financial reporting process, internal control systems, and risk management. The ARMC is composed of independent non-executive directors, including Mr. [Name], Mr. [Name], and Mr. [Name].

The ARMC's primary responsibilities include:

- Overseeing the company's financial reporting process, including the preparation and review of financial statements.
- Monitoring the effectiveness of the company's internal control systems and risk management framework.
- Reviewing and approving the company's annual financial statements and interim reports.
- Overseeing the company's external audit process and the appointment and removal of the external auditor.
- Monitoring the company's compliance with applicable laws and regulations.

The ARMC has held several meetings during the reporting period to discuss and approve the company's financial statements and internal control systems. The ARMC has also reviewed the company's risk management framework and internal control systems, and has found them to be effective.

The ARMC has also reviewed the company's financial reporting process and has found it to be robust and reliable. The ARMC has also reviewed the company's external audit process and has found it to be effective.

The ARMC has also reviewed the company's compliance with applicable laws and regulations and has found the company to be in compliance.



VIII. Shareholders' Rights

(I) Convening of an extraordinary general meeting by shareholders

According to the Articles of Association, shareholders holding 10% of the total shares of the Company have the right to request the convening of an extraordinary general meeting. If the Board of Directors fails to convene such a meeting within 30 days of receiving the request, the shareholders may convene their own meeting. The Company has no record of such requests being made.

The Company has established a clear procedure for shareholders to request the convening of an extraordinary general meeting. Shareholders should submit a written request to the Company Secretary, detailing the agenda items and the reasons for the request. The Company Secretary will then forward the request to the Board of Directors for their consideration. If the Board of Directors decides to convene a meeting, they will issue a notice of meeting to all shareholders. If the Board of Directors fails to do so, the shareholders may proceed to convene their own meeting.

The Company has also established a clear procedure for shareholders to request the convening of an extraordinary general meeting. Shareholders should submit a written request to the Company Secretary, detailing the agenda items and the reasons for the request. The Company Secretary will then forward the request to the Board of Directors for their consideration. If the Board of Directors decides to convene a meeting, they will issue a notice of meeting to all shareholders. If the Board of Directors fails to do so, the shareholders may proceed to convene their own meeting.

(II) Putting enquiry to the Board by shareholders

The Company has established a clear procedure for shareholders to put enquiries to the Board. Shareholders may submit written enquiries to the Company Secretary, who will forward them to the Board of Directors for their response. The Board of Directors will respond to the enquiries within a reasonable period of time. The Company has also established a clear procedure for shareholders to put enquiries to the Board. Shareholders may submit written enquiries to the Company Secretary, who will forward them to the Board of Directors for their response. The Board of Directors will respond to the enquiries within a reasonable period of time.

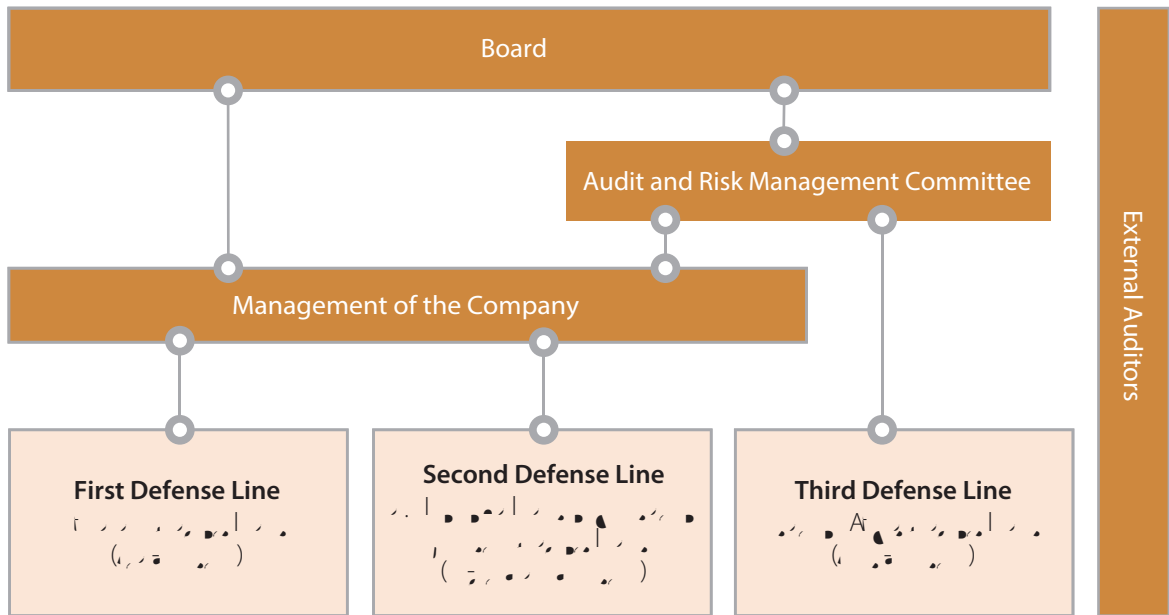
The Company has also established a clear procedure for shareholders to put enquiries to the Board. Shareholders may submit written enquiries to the Company Secretary, who will forward them to the Board of Directors for their response. The Board of Directors will respond to the enquiries within a reasonable period of time.

Corporate Governance Report



Our Board of Directors is responsible for the overall corporate governance and risk management of the Group. The Board has established the Audit and Risk Management Committee to oversee the Group's risk management and internal control systems. The Management of the Company is responsible for implementing the Board's policies and strategies. The Group has established a three-line defense system (Three Lines of Defense) to manage risks effectively.

The three-line defense system (三道防線) consists of the following components:



The First Defense Line is responsible for identifying and managing risks in the front line of business operations. The Second Defense Line is responsible for providing risk management expertise and support to the front line. The Third Defense Line is responsible for providing independent assurance on the effectiveness of the Group's risk management and internal control systems. The External Auditors provide an independent view on the Group's financial statements and internal control systems.

The Group's risk management and internal control systems are designed to identify, assess, and manage risks in a timely and effective manner. The Group will continue to strengthen its risk management and internal control systems to ensure the long-term sustainable development of the Group.



0. The Board of Directors is responsible for the overall management of the company and for the implementation of the strategy. The Board consists of 10 members, including 3 independent non-executive directors. The Board has established a number of committees, including the Audit Committee, the Remuneration Committee, and the Nominations Committee.

The Board has a diverse composition in terms of gender, nationality, and professional background. The Board has a strong track record of successful management and has achieved significant financial performance over the past five years. The Board has also been instrumental in the company's expansion into new markets and in the development of new products.

The Board has a strong focus on sustainability and has established a number of sustainability targets. The Board has also been instrumental in the company's commitment to social responsibility and in the development of a strong corporate culture. The Board has a strong track record of successful management and has achieved significant financial performance over the past five years.

0. The Board of Directors is responsible for the overall management of the company and for the implementation of the strategy. The Board consists of 10 members, including 3 independent non-executive directors. The Board has established a number of committees, including the Audit Committee, the Remuneration Committee, and the Nominations Committee.

XV. Dividend Policy

The Board of Directors is responsible for the overall management of the company and for the implementation of the strategy. The Board consists of 10 members, including 3 independent non-executive directors. The Board has established a number of committees, including the Audit Committee, the Remuneration Committee, and the Nominations Committee.

The Board has a strong focus on sustainability and has established a number of sustainability targets. The Board has also been instrumental in the company's commitment to social responsibility and in the development of a strong corporate culture. The Board has a strong track record of successful management and has achieved significant financial performance over the past five years.

The Board has a strong focus on sustainability and has established a number of sustainability targets. The Board has also been instrumental in the company's commitment to social responsibility and in the development of a strong corporate culture. The Board has a strong track record of successful management and has achieved significant financial performance over the past five years.

The Board has a strong focus on sustainability and has established a number of sustainability targets. The Board has also been instrumental in the company's commitment to social responsibility and in the development of a strong corporate culture. The Board has a strong track record of successful management and has achieved significant financial performance over the past five years.

Relevant Information of Bonds



Name of bonds	Short name	Bond Code	Date of Issuance	Interest Accrual Date	Maturity Date	Bond Balance	Interest Rate (%)	Methods of Principal and Interest Repayment	Trading venues	Arrangement to Ensure the Suitability of Investors (if any)	Trading Mechanism	Risk of Termination of Listing and Trading
1. 2019年第一期公司债券	00	0 90	0 -0 -	0 -0 -	0 -0 -			1. 按年付息，到期一次还本；	上海证券交易所	无	竞价交易	无
2. 2019年第二期公司债券	00	0 0	0 -0 -0	0 -0 -	0 - -			1. 按年付息，到期一次还本；	上海证券交易所	无	竞价交易	无
3. 2019年第三期公司债券	00	0 0	0 -0 -	0 -0 -	0 -0 -			1. 按年付息，到期一次还本；	上海证券交易所	无	竞价交易	无
4. 2019年第四期公司债券	00	0 0	0 -0 -	0 -0 -	0 -0 -			1. 按年付息，到期一次还本；	上海证券交易所	无	竞价交易	无
5. 2019年第五期公司债券	00	0 0	0 -0 -	0 -0 -	0 -0 -			1. 按年付息，到期一次还本；	上海证券交易所	无	竞价交易	无
6. 2019年第六期公司债券	00	0 0	0 -0 -	0 -0 -	0 -0 -			1. 按年付息，到期一次还本；	上海证券交易所	无	竞价交易	无
7. 2019年第七期公司债券	00	0 0	0 -0 -	0 -0 -	0 -0 -			1. 按年付息，到期一次还本；	上海证券交易所	无	竞价交易	无
8. 2019年第八期公司债券	00	0 0	0 -0 -	0 -0 -	0 -0 -			1. 按年付息，到期一次还本；	上海证券交易所	无	竞价交易	无
9. 2019年第九期公司债券	00	0 0	0 -0 -	0 -0 -	0 -0 -			1. 按年付息，到期一次还本；	上海证券交易所	无	竞价交易	无
10. 2019年第十期公司债券	00	0 0	0 -0 -	0 -0 -	0 -0 -			1. 按年付息，到期一次还本；	上海证券交易所	无	竞价交易	无



Relevant Information of Bonds

Name of bonds	Short name	Bond Code	Date of Issuance	Interest Accrual Date	Maturity Date	Bond Balance	Interest Rate (%)	Methods of Principal and Interest Repayment	Trading venues	Arrangement to Ensure the Suitability of Investors (if any)	Trading Mechanism	Risk of Termination of Listing and Trading
1. 2019年第一期公司债券	190001	190001	2019-01-01	2019-01-01	2020-01-01	0.00	4.50	按季付息，到期一次还本	上海证券交易所	面向合格投资者	固定利率	无
2. 2019年第二期公司债券	190002	190002	2019-01-01	2019-01-01	2020-01-01	0.00	4.50	按季付息，到期一次还本	上海证券交易所	面向合格投资者	固定利率	无
3. 2019年第三期公司债券	190003	190003	2019-01-01	2019-01-01	2020-01-01	0.00	4.50	按季付息，到期一次还本	上海证券交易所	面向合格投资者	固定利率	无
4. 2019年第四期公司债券	190004	190004	2019-01-01	2019-01-01	2020-01-01	0.00	4.50	按季付息，到期一次还本	上海证券交易所	面向合格投资者	固定利率	无
5. 2019年第五期公司债券	190005	190005	2019-01-01	2019-01-01	2020-01-01	0.00	4.50	按季付息，到期一次还本	上海证券交易所	面向合格投资者	固定利率	无
6. 2019年第六期公司债券	190006	190006	2019-01-01	2019-01-01	2020-01-01	0.00	4.50	按季付息，到期一次还本	上海证券交易所	面向合格投资者	固定利率	无
7. 2019年第七期公司债券	190007	190007	2019-01-01	2019-01-01	2020-01-01	0.00	4.50	按季付息，到期一次还本	上海证券交易所	面向合格投资者	固定利率	无
8. 2019年第八期公司债券	190008	190008	2019-01-01	2019-01-01	2020-01-01	0.00	4.50	按季付息，到期一次还本	上海证券交易所	面向合格投资者	固定利率	无
9. 2019年第九期公司债券	190009	190009	2019-01-01	2019-01-01	2020-01-01	0.00	4.50	按季付息，到期一次还本	上海证券交易所	面向合格投资者	固定利率	无
10. 2019年第十期公司债券	190010	190010	2019-01-01	2019-01-01	2020-01-01	0.00	4.50	按季付息，到期一次还本	上海证券交易所	面向合格投资者	固定利率	无



Relevant Information of Bonds

Name of bonds	Aggregate amount of proceeds	Proceeds used	Balance of proceeds	Operation of specific accounts of proceeds (if any)	Correction of non-compliant use of proceeds (if any)	In line with the use, use plans and other covenants as undertaken in the prospectus
1. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
2. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
3. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
4. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
5. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
6. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
7. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
8. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
9. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
10. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
11. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
12. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
13. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
14. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
15. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
16. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
17. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
18. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
19. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是
20. 2019年公开发行公司债券 2019年公开发行公司债券 0	,000,000.00	,000,000.00		▲ 是	▲ 是	是

Relevant Information of Bonds



Name of bonds	Aggregate amount of proceeds	Proceeds used	Balance of proceeds	Operation of specific accounts of proceeds (if any)	Correction of non-compliant use of proceeds (if any)	In line with the use, use plans and other covenants as undertaken in the prospectus
1. 2023年公开发行可转换公司债券 ▲ 募集资金用途 人民币 0.00	0.00	0.00		▲ 不适用	▲ 不适用	▲ 不适用
2. 2023年公开发行可转换公司债券 ▲ 募集资金用途 人民币 0.00	0.00	0.00		▲ 不适用	▲ 不适用	▲ 不适用
3. 2023年公开发行可转换公司债券 ▲ 募集资金用途 人民币 0.00	0.00	0.00		▲ 不适用	▲ 不适用	▲ 不适用
4. 2023年公开发行可转换公司债券 ▲ 募集资金用途 人民币 0.00	0.00	0.00		▲ 不适用	▲ 不适用	▲ 不适用

(III) Accounting Data and Financial Indicators of the Company for Last Two Years as at the End of the Reporting Period

Major indicator	2023	2022	Change between the current period and the same period of last year (%)
营业收入 (万元)	19,000.00	19,000.00	0.00
营业成本 (万元)	19,000.00	19,000.00	0.00
营业毛利 (万元)	0.00	0.00	0.00
营业毛利率 (%)	0.00	0.00	0.00
净利润 (万元)	0.00	0.00	0.00
净利润率 (%)	0.00	0.00	0.00
经营活动产生的现金流量净额 (万元)	0.00	0.00	0.00
经营活动产生的现金流量净额占营业收入的比例 (%)	0.00	0.00	0.00



• Relevant Information of Bonds

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	The reporting period (January to December)
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Changes in Shares and Particulars of Shareholders



(II) Shareholdings of the top ten shareholders and the top ten holders of tradeable shares (or holders of shares not subject to trading moratorium) as at the end of the reporting period

Name of shareholder	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Shares pledged, marked or frozen		Nature of shareholder
				Number of shares subject to trading moratorium held	Pledged, marked or frozen Number	
中國證券金融股份有限公司	0	0	0.00	0	0	State-owned shareholding
中央匯金資產管理有限責任公司	0	9,000,000	0.00	0	0	State-owned shareholding
博時基金 - 農業銀行 - 博時中證金融資產管理計劃	0	9,900	0.00	0	0	Investment fund
易方達基金 - 農業銀行 - 易方達中證金融資產管理計劃	0	9,900	0.00	0	0	Investment fund
大成基金 - 農業銀行 - 大成中證金融資產管理計劃	0	9,900	0.00	0	0	Investment fund
嘉實基金 - 農業銀行 - 嘉實中證金融資產管理計劃	0	9,900	0.00	0	0	Investment fund
廣發基金 - 農業銀行 - 廣發中證金融資產管理計劃	0	9,900	0.00	0	0	Investment fund
中歐基金 - 農業銀行 - 中歐中證金融資產管理計劃	0	9,900	0.00	0	0	Investment fund
華夏基金 - 農業銀行 - 華夏中證金融資產管理計劃	0	9,900	0.00	0	0	Investment fund

Changes in Shares and Particulars of Shareholders

Shareholdings of the top ten shareholders (excluding shares lent through the refinancing business)

Name of shareholder	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Shares pledged, marked or frozen			Nature of shareholder
				Number of shares subject to trading moratorium held	Pledged, marked or frozen	Number	
中國證券金融股份有限公司 (銀華基金 - 農業銀行 - 銀華中證金融資產管理計劃)	0	9,900	0.	0			
中國證券金融股份有限公司 (南方基金 - 農業銀行 - 南方中證金融資產管理計劃)	0	9,900	0.	0			
中國證券金融股份有限公司 (工銀瑞信基金 - 農業銀行 - 工銀瑞信中證金融資產管理計劃)	0	9,900	0.	0			

Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of tradable shares held not subject to trading moratorium	Class and number of shares	
		Class	Number
中國證券金融股份有限公司	0	優先股	0
中國證券金融股份有限公司	0	普通股	0
中國證券金融股份有限公司 (中國證券金融股份有限公司)	0	普通股	0
中國證券金融股份有限公司	0	普通股	0
中國證券金融股份有限公司 (中央匯金資產管理有限責任公司)	9,000	普通股	9,000
中國證券金融股份有限公司 (博時基金 - 農業銀行 - 博時中證金融資產管理計劃)	9,900	普通股	9,900
中國證券金融股份有限公司 (易方達基金 - 農業銀行 - 易方達中證金融資產管理計劃)	9,900	普通股	9,900

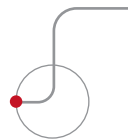
Changes in Shares and Particulars of Shareholders



Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of tradable shares held not subject to trading moratorium	Class and number of shares	
		Class	Number
中國建設銀行股份有限公司	1,900,000	人民币普通股	1,900,000
大成基金-農業銀行-大成中證金融資產管理計劃	1,900,000	人民币普通股	1,900,000
嘉實基金-農業銀行-嘉實中證金融資產管理計劃	1,900,000	人民币普通股	1,900,000
廣發基金-農業銀行-廣發中證金融資產管理計劃	1,900,000	人民币普通股	1,900,000
中歐基金-農業銀行-中歐中證金融資產管理計劃	1,900,000	人民币普通股	1,900,000
華夏基金-農業銀行-華夏中證金融資產管理計劃	1,900,000	人民币普通股	1,900,000
銀華基金-農業銀行-銀華中證金融資產管理計劃	1,900,000	人民币普通股	1,900,000
南方基金-農業銀行-南方中證金融資產管理計劃	1,900,000	人民币普通股	1,900,000
工銀瑞信基金-農業銀行-工銀瑞信中證金融資產管理計劃	1,900,000	人民币普通股	1,900,000

Changes in Shares and Particulars of Shareholders



(III) Shareholding interests of Directors, Supervisors and Chief Executive

As at the end of the reporting period, the following persons held interests in the Company's shares:

Name	Position	Nature of interest	Class of shares	Number of shares
Mr. [Name]	Director	Beneficial	H shares	[Number]
Ms. [Name]	Supervisor	Beneficial	A shares	[Number]
Mr. [Name]	Chief Executive	Beneficial	H shares	[Number]

(IV) Substantial shareholders' interests and short positions in the Company

As at the end of the reporting period, the following persons held substantial interests in the Company's shares:

Name of Shareholder	Capacity	H shares or A shares	Nature of interest	Number of H shares or A shares held	Percentage of H shares or A shares held in the total issued H shares or total issued A shares (%)	Percentage of total share capital of the Company (%)
[Name]	[Capacity]	H shares	Beneficial	[Number]	[Percentage]	[Percentage]
[Name]	[Capacity]	A shares	Beneficial	[Number]	[Percentage]	[Percentage]



Changes in Shares and Particulars of Shareholders

IV. Particulars of Controlling Shareholder and the Ultimate Controller

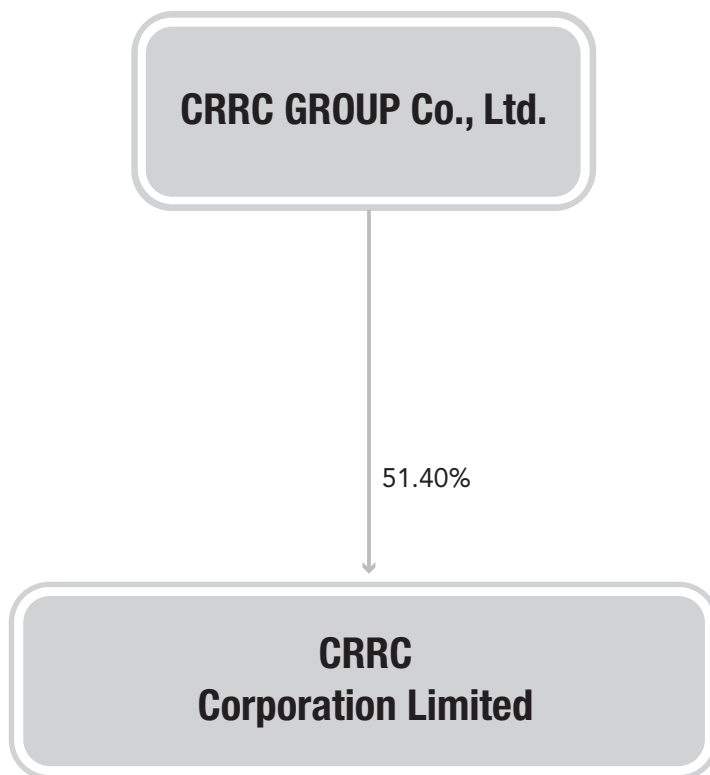
(I) Controlling shareholder

1. Legal person

▲ **CRRC GROUP Co., Ltd.** (中國中車集團有限公司)
 CRRC GROUP Co., Ltd. is a public company listed on the Shanghai Stock Exchange. It is the ultimate controller of the Company. The Company is a wholly-owned subsidiary of CRRC GROUP Co., Ltd. The Company's registered capital is RMB 10,000 million. The Company's total assets are RMB 10,000 million. The Company's total liabilities are RMB 10,000 million. The Company's total equity is RMB 10,000 million. The Company's total revenue is RMB 10,000 million. The Company's total profit is RMB 10,000 million. The Company's total assets are RMB 10,000 million. The Company's total liabilities are RMB 10,000 million. The Company's total equity is RMB 10,000 million. The Company's total revenue is RMB 10,000 million. The Company's total profit is RMB 10,000 million.

▲ **CRRC Corporation Limited**
 CRRC Corporation Limited is a public company listed on the Shanghai Stock Exchange. It is the ultimate controller of the Company. The Company is a wholly-owned subsidiary of CRRC Corporation Limited. The Company's registered capital is RMB 10,000 million. The Company's total assets are RMB 10,000 million. The Company's total liabilities are RMB 10,000 million. The Company's total equity is RMB 10,000 million. The Company's total revenue is RMB 10,000 million. The Company's total profit is RMB 10,000 million.

2. Framework of ownership and controlling relationship between the Company and the controlling shareholder as at the end of the reporting period



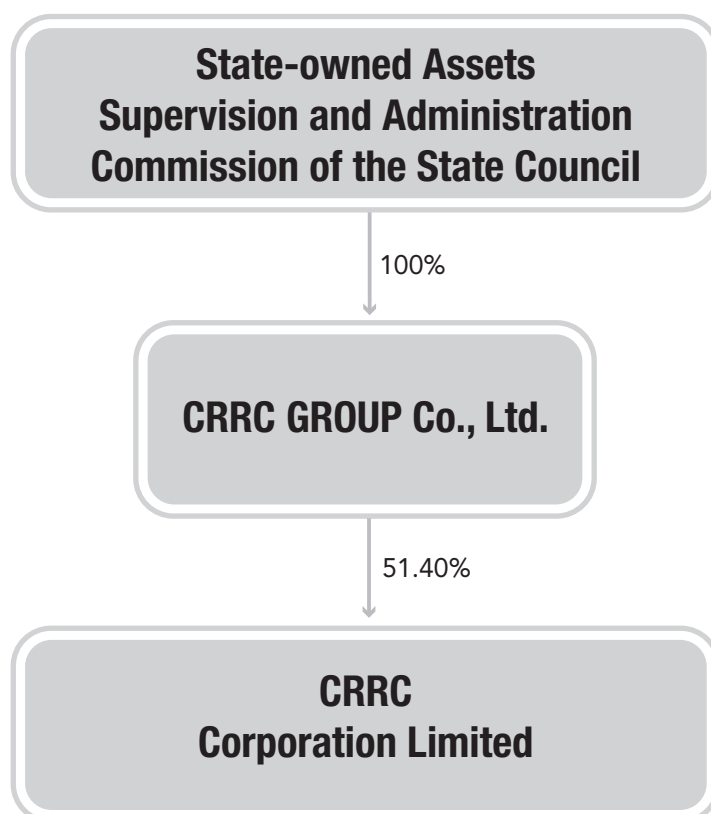
Changes in Shares and Particulars of Shareholders



Item	2019	2018	Change
Total number of shares	1,000,000,000	1,000,000,000	0
Number of shares held by the State-owned Assets Supervision and Administration Commission of the State Council	514,000,000	514,000,000	0
Number of shares held by CRRG GROUP Co., Ltd.	514,000,000	514,000,000	0
Number of shares held by other shareholders	0	0	0
Number of shares held by the public	0	0	0
Number of shares held by the State-owned Assets Supervision and Administration Commission of the State Council	51.40%	51.40%	0%
Number of shares held by CRRG GROUP Co., Ltd.	51.40%	51.40%	0%
Number of shares held by other shareholders	0%	0%	0%
Number of shares held by the public	0%	0%	0%

(II) Ultimate controller

1. The ultimate controller of the Company is the SASAC.
2. Framework of ownership and controlling relationship between the Company and the ultimate controller





• Changes in Shares and Particulars of Shareholders

	2019	2018	2017
Number of shares held by the company	1,000,000	1,000,000	1,000,000
Number of shares held by the public	1,000,000	1,000,000	1,000,000
Number of shares held by other corporate shareholders with over 10% shareholdings	1,000,000	1,000,000	1,000,000
Number of shares held by sufficient public float	1,000,000	1,000,000	1,000,000
Number of shares held by purchase, sale or redemption of securities of the company	1,000,000	1,000,000	1,000,000

V. Other Corporate Shareholders with Over 10% Shareholdings

As of the end of the reporting period, the company has no other corporate shareholders with over 10% shareholdings.

VI. Sufficient Public Float

The company has sufficient public float to meet the requirements of the listing rules. The public float is sufficient to meet the requirements of the listing rules.

VII. Purchase, Sale or Redemption of Securities of the Company

The company has not purchased, sold or redeemed any securities of the company during the reporting period.

Significant Events



Background	Type	Covenants	Undertakings	Validity date	Whether duration specified	Validity period	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
<p>2019年12月31日</p> <p>2020年12月31日</p>	<p>其他</p>	<p>2020年12月31日</p>	<p>本公司與中國中車股份有限公司（「中國中車」）訂立了《關於規範與中國中車股份有限公司關聯交易的承諾函》。詳情請參閱本招股說明書「第六節 其他重要事項」之「（一）關聯交易」。</p>	2020	是	2020年12月31日	是		
<p>2020年12月31日</p> <p>2021年12月31日</p>	<p>其他</p>	<p>2021年12月31日</p>	<p>本公司與中國中車股份有限公司（「中國中車」）訂立了《關於規範與中國中車股份有限公司關聯交易的承諾函》。詳情請參閱本招股說明書「第六節 其他重要事項」之「（一）關聯交易」。</p>	2021	是	2021年12月31日	是		



3. Other material contracts

As of the end of the reporting period, the Company has no other material contracts.

V. Description of Other Significant Events that have a Significant Impact on the Value Judgments and Investment Decisions Made by Investors

As of the end of the reporting period, the Company has no other significant events that have a significant impact on the value judgments and investment decisions made by investors.

VI. Fulfilment of Social Responsibility

The Company has fully complied with the laws and regulations on social responsibility, and has no other significant events.

VII. Analysis of the Reasons for and Effects of Changes in Accounting Policies and Accounting Estimates of the Company

0. The Company has no changes in accounting policies and accounting estimates.

VIII. Other Subsequent Significant Events

Profit Distribution of Ordinary Shares

0. The Company has no other subsequent significant events.

1.0% of the total profit of the Company for the reporting period is distributed to the shareholders of the Company.

The Company has no other subsequent significant events.



I. AUDITOR'S REPORT

KPMG HuaZhen ShenZi No. 2404657

The Shareholders of CRRC Corporation Limited:

I. OPINION

We have audited the accompanying financial statements of CRRC Corporation Limited ("CRRC"), which comprise the consolidated and company balance sheets as at 31 December 2023, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of CRRC as at 31 December 2023, and the consolidated and company financial performance and cash flows of CRRC for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). 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 CRRC in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



I. AUDITOR'S REPORT *(continued)*

KPMG HuaZhen ShenZi No. 2404657

Revenue recognition	
Please refer to the accounting policy described in Note 25 under "Significant Accounting Policies and Accounting Estimates", as well as Note "53. Revenue and operating costs" under "Notes of Consolidated Financial Statements" and Note "4. Revenue and operating costs" under "XVIII. Notes to the Key Items in the Company's Financial Statements" to the financial statements.	
The Key Audit Matter (Continued)	How the matter was addressed in our audit
We identified the cut-off risk arising from revenue recognition as a key audit matter, because revenue is one of the Group's key performance indicators and there may be cases of early or delayed revenue recognition by the management to meet targets or expectations.	<p>(5) Selecting revenue transactions recorded before and after the balance sheet date, inspecting supporting documents related to revenue recognition, and evaluating whether the relevant revenue was recorded in the appropriate accounting period;</p> <p>(6) Reviewing revenue accounting entries recorded after the balance sheet date to identify whether there was any significant sales return; if any, checking against the relevant supporting documents to evaluate whether the relevant revenue was recorded in the appropriate accounting period;</p> <p>(7) Selecting revenue accounting entries that meet specific risk criteria during the year and reviewing the relevant supporting documents.</p>



I. AUDITOR'S REPORT *(continued)*

KPMG HuaZhen ShenZi No. 2404657

IV. OTHER INFORMATION



I. AUDITOR'S REPORT *(continued)*

KPMG HuaZhen ShenZi No. 2404657

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CRRC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, 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 CRRC to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within CRRC 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.



I. AUDITOR'S REPORT *(continued)*

KPMG HuaZhen ShenZi No. 2404657

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be 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 the current period 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.

KPMG Huazhen LLP

Beijing, China

Certified Public Accountants
Registered in the People's
Republic of China

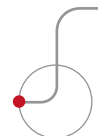
Lei Jiang (Engagement Partner)

Lin Ying

28 March 2024

Consolidated Balance Sheet

31 December 2023



II. FINANCIAL STATEMENTS

The accompanying financial statements are English translations of the financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the balance sheet and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note	31 December 2023	31 December 2022
Current assets			
Cash and bank balances	VII. 1	55,929,833	54,861,839
Held-for-trading financial assets	VII. 2	8,932,728	10,431,092
Bills receivable	VII. 3	11,843,906	19,579,587
Accounts receivable	VII. 4	105,705,827	88,987,037
Receivables at fair value through other comprehensive income	VII. 6	11,498,099	6,735,575
Prepayments	VII. 7	8,097,483	7,585,929
Other receivables	VII. 8	2,232,535	2,874,509
Inventories	VII. 9	66,848,740	63,136,015
Contract assets	VII. 5	33,590,135	25,148,513
Assets classified as held for sale		76,709	74,600
Non-current assets due within one year	VII. 10	4,560,516	6,019,677
Other current assets	VII. 11	5,270,952	5,020,677
Total current assets		314,587,463	290,455,050
Non-current assets			
Loans and advances to customers	VII. 12	–	–
Debt investments	VII. 13	1,582,490	236,361
Long-term receivables	VII. 14	6,724,181	11,343,189
Long-term equity investments	VII. 15	21,378,782	18,260,754
Investments in other equity instruments	VII. 16	2,808,190	2,692,227
Other non-current financial assets	VII. 17	219,564	215,903
Investment properties	VII. 18	822,189	809,758
Fixed assets	VII. 19	60,359,901	60,828,121
Construction in progress	VII. 20	4,518,956	4,111,596
Right-of-use assets	VII. 21	1,880,270	1,442,775
Intangible assets	VII. 22	16,720,784	16,103,044
Development expenditures	VII. 23	715,820	749,396
Goodwill	VII. 24	307,406	261,739
Long-term deferred expenses		266,138	279,395
Deferred tax assets	VII. 25	3,871,473	3,630,804
Other non-current assets	VII. 26	35,028,128	30,720,034
Total non-current assets		157,204,272	151,685,096
Total assets		471,791,735	442,140,146



Consolidated Balance Sheet

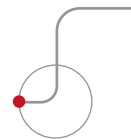
31 December 2023

ITEM	Note	31 December 2023	31 December 2022
Current liabilities			
Short-term borrowings	VII. 28	8,129,856	13,627,730
Borrowings from the central bank		–	–
Borrowing funds		–	–
Held-for-trading financial liabilities		111,529	40,547
Bills payable	VII. 29	26,836,331	27,691,303
Accounts payable	VII. 30	154,033,728	130,957,703
Receipts in advance	VII. 31	11,695	14,067
Contract liabilities	VII. 32	23,176,845	23,732,490
Deposits from banks and other financial institutions	VII. 33	5,816,950	3,153,979
Employee benefits payable	VII. 34	2,051,384	2,289,570
Tax payable	VII. 35	3,298,101	3,093,070
Other payables	VII. 36	20,243,191	13,864,172
Non-current liabilities due within one year	VII. 37	4,252,671	6,473,081
Other current liabilities	VII. 38	2,445,225	2,466,039
Total current liabilities		250,407,506	227,403,751
Non-current liabilities			
Long-term borrowings	VII. 39	6,984,860	6,096,122
Bonds payable	VII. 40	–	–
Lease liabilities	VII. 41	1,545,186	1,150,855
Long-term payables	VII. 42	210,816	41,412
Long-term employee benefits payable	VII. 43	2,335,183	2,472,685
Provisions	VII. 44	6,979,515	7,369,015
Deferred income	VII. 45	5,979,206	6,233,688
Deferred tax liabilities	VII. 25	571,902	299,859
Other non-current liabilities	VII. 46	254,246	86,843
Total non-current liabilities		24,860,914	23,750,479
Total liabilities		275,268,420	251,154,230
Shareholders' equity			
Share capital	VII. 47	28,698,864	28,698,864
Capital reserve	VII. 48	41,568,178	41,353,278
Other comprehensive income	VII. 50	(900,051)	(687,727)

The notes on pages 17 to 149 form part of these financial statements.

Consolidated Balance Sheet

31 December 2023



ITEM	Note	31 December 2023	31 December 2022
Special reserve	VII. 49	49,957	49,957
Surplus reserve	VII. 51	6,319,090	5,491,912
General risk reserve		670,960	693,662
Retained earnings	VII. 52	84,566,375	79,441,376
Total equity attributable to shareholders of the Company		160,973,373	155,041,322
Non-controlling interests		35,549,942	35,944,594
Total shareholders' equity		196,523,315	190,985,916
Total liabilities and shareholders' equity		471,791,735	442,140,146

Legal representative
Sun Yongcai

Chief Accountant
Li Zheng

Person in Charge of the
Accounting Department
Shi Jian Feng

The Company's balance sheet

31 December 2023

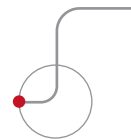
Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note	31 December 2023	31 December 2022
Current assets			
Cash and bank balances	XVIII. 1	16,888,480	17,754,170
Accounts receivable		4,007	3,475
Prepayments		536	5,000
Other receivables	XVIII. 2	18,643,362	12,417,489
Non-current assets due within one year		–	1,532,475
Other current assets		920	365
Total current assets		35,537,305	31,712,974
Non-current assets			
Long-term receivables		9,720,332	8,580,707
Long-term equity investments	XVIII. 3	114,732,716	110,620,363
Investments in other equity instruments		424,935	275,000
Fixed assets		11,774	18,234
Construction in progress		45,454	58,431
Right-of-use assets		17,879	34,523
Intangible assets		109,383	116,845
Other non-current assets		35,508	419,270
Total non-current assets		125,097,981	120,123,373
Total assets		160,635,286	151,836,347
Current liabilities			
Short-term borrowings		8,504,728	9,662,024
Accounts payable		–	9,768
Employee benefits payable		56,604	56,512
Taxes payable		12,837	3,383
Other payables		45,983,849	36,011,265
Non-current liabilities due within one year		4,751	2,583,764
Total current liabilities		54,562,769	48,326,716
Non-current liabilities			
Lease liabilities		15,331	24,221
Total non-current liabilities		15,331	24,221

The Company's balance sheet

31 December 2023



ITEM	Note	31 December 2023	31 December 2022
Total liabilities		54,578,100	48,350,937
Shareholders' equity			
Share capital		28,698,864	28,698,864
Capital reserve		62,809,965	62,808,927
Other comprehensive income		(6,296)	(45,031)
Surplus reserve		6,319,090	5,491,912
Retained earnings		8,235,563	6,530,738
Total shareholders' equity		106,057,186	103,485,410
Total liabilities and shareholders' equity		160,635,286	151,836,347

Legal representative
Sun Yongcai

Chief Accountant
Li Zheng

Person in Charge of the Accounting
Department
Shi Jian Feng

Consolidated Income Statement

From January to December 2023

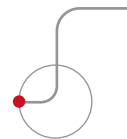
Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note	2023	2022
I. Total operating income	VII. 53	234,261,514	222,938,637
II. Total operating costs		221,104,594	211,172,568
Including: Operating costs	VII. 53	182,101,404	175,625,777
Taxes and surcharges	VII. 54	1,708,504	1,634,686
Selling expenses	VII. 55	9,184,750	7,724,210
Administrative expenses	VII. 56	13,958,538	13,401,635
Research and development expense	VII. 57	14,363,696	13,129,748
Financial expense	VII. 58	(212,298)	(343,488)
Including: Interest expenses		1,102,207	1,069,206
Interest income		1,167,824	986,017
Add: Other income	VII. 59	2,651,162	1,792,846
Investment income	VII. 60	1,285,876	306,929
Including: Gains from investments in associates and joint ventures		98,561	229,228
Loss arising from derecognition of financial assets measured at amortised cost		(121,004)	(215,583)
Gains from changes in fair value	VII. 61	392,037	489,773
Impairment losses under expected credit loss model	VII. 62	(1,261,625)	(312,158)
Assets impairment losses	VII. 63	(607,066)	(614,278)
Gains on disposal of assets	VII. 64	408,456	2,550,521
III. Operating profit		16,025,760	15,979,702
Add: Non-operating income	VII. 65	542,671	779,950
Less: Non-operating expenses	VII. 66	195,430	639,984
IV. Total profit		16,373,001	16,119,668
Less: Income tax expenses	VII. 67	1,803,354	1,767,493
V. Net profit		14,569,647	14,352,175
(I) Net profit classified by operating continuity			
1. Net profit from continuing operations		14,569,647	14,352,175
(II) Net profit classified by ownership			
1. Net profit attributable to shareholders of the Company		11,711,576	11,653,448
2. Net profit attributable to non-controlling interests		2,858,071	2,698,727

Consolidated Income Statement

From January to December 2023



ITEM	Note	2023	2022
VI. Other comprehensive income, net of income tax	VII. 50	(319,755)	763,437
(I) Other comprehensive income attributable to shareholders of the Company, net of income tax		(223,782)	589,562
1. Items that will not be reclassified to profit or loss		(6,840)	(17,515)
(1) Remeasurement of the changes in net liabilities or net assets of defined benefit plan		11,180	249,533
(2) Changes in fair value of investments in other equity instruments		(18,020)	(267,048)
2. Items that may be reclassified to profit or loss		(216,942)	607,077
(1) Other comprehensive income that may be reclassified to profit or loss under equity method		10,036	(43,640)
(2) Changes in fair value of other debt investments		(42,410)	88,695
(3) Provision for credit impairments of other debt investments		(422)	23
(4) Translation differences arising from translation of foreign currency financial statements		(123,616)	596,950
(5) Cash flow hedge reserve		(60,530)	(34,951)
(II) Other comprehensive income attributable to non-controlling interests, net of income tax		(95,973)	173,875
VII. Total comprehensive income		14,249,892	15,115,612
(I) Total comprehensive income attributable to shareholders of the Company		11,487,794	12,243,010
(II) Total comprehensive income attributable to non-controlling interests		2,762,098	2,872,602
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/per share)		0.41	0.41
(II) Diluted earnings per share (RMB/per share)		0.41	0.41

Legal representative
Sun Yongcai

Chief Accountant
Li Zheng

Person in Charge of the Accounting
Department
Shi Jian Feng

The Company's income statement

From January to December 2023

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note	2023	2022
I. Operating income	XVIII. 4	395,818	395,172
Less: Operating costs	XVIII. 4	4,047	4,047
Taxes and surcharges		1,851	1,069
Selling expenses		18,554	18,411
Administrative expenses		310,930	241,712
Research and development expenses		392,736	490,189
Financial expenses		78,269	11,862
Including: Interest expenses		927,759	831,326
Interest income		835,089	784,719
Add: Other income		1,041	1,667
Investment income	XVIII. 5	8,689,936	6,844,433
Including: Income from investment in associates and joint ventures		23,445	87,814
Impairment losses under expected credit loss model		(7,189)	3,391
II. Operating profit		8,273,219	6,477,373
Add: Non-operating income		178	210
Less: Non-operating expenses		1,621	500
III. Total profit		8,271,776	6,477,083
Less: Income tax expenses		-	-
IV. Net profit		8,271,776	6,477,083
(I) Net profit from continuing operations		8,271,776	6,477,083
V. Other comprehensive income, net of income tax		38,735	(23,617)
(I) Items that will not be reclassified to profit or loss		-	-
1. Remeasurement of defined benefit plan		-	-
(II) Items that may be reclassified to profit or loss		38,735	(23,617)
1. Other comprehensive income recognized under equity method		38,735	(23,617)
VI. Total comprehensive income for the year		8,310,511	6,453,466

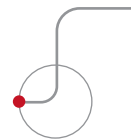
Legal representative
Sun Yongcai

Chief Accountant
Li Zheng

Person in Charge of the
Accounting Department
Shi Jian Feng

Consolidated cash flow statement

From January to December 2023



Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note	2023	2022
I. Cash flows from operating activities:			
Cash receipts from the sale of goods and rendering of services		228,777,284	223,297,502
Net increase in deposits from banks and other financial institutions		2,662,971	–
Net decrease in loans and advances to customers		199,588	9,092,180
Receipts of tax refunds		2,495,287	4,019,950
Other cash receipts relating to operating activities	VII. 69	3,223,017	3,131,311
Sub-total of cash inflows from operating activities		237,358,147	239,540,943
Cash payments for goods purchased and services received		161,522,167	153,176,663
Net decrease in deposits from banks and other financial institutions		–	1,447,641
Net decrease in borrowings from the central bank		–	997,186
Cash payments to and on behalf of employees		36,949,244	34,346,297
Payment of various taxes		11,726,278	11,546,910
Other cash payments relating to operating activities	VII. 69	12,438,842	14,073,030
Sub-total of cash outflows from operating activities		222,636,531	215,587,727
Net cash flow from operating activities	VII. 70	14,721,616	23,953,216
II. Cash flows from investing activities:			
Cash receipts from recovery of investments		32,781,802	42,474,735
Cash receipts from investment income		995,637	1,012,768
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		152,030	1,206,779
Other cash received in connection with investing activities		40,800	–
Sub-total of cash inflows from investing activities		33,970,269	44,694,282
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		8,103,773	7,417,459
Cash payments to acquire investments		35,696,407	46,035,383
Other cash paid relating to investing activities		1,347,411	22,383
Sub-total of cash outflows from investing activities		45,147,591	53,475,225
Net cash flow used in investing activities		(11,177,322)	(8,780,943)



Consolidated cash flow statement

From January to December 2023

ITEM	Note	2023	2022
III. Cash flows from financing activities:			
Cash receipts from capital contributions		1,201,098	450,693
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		1,201,098	450,693
Cash receipts from borrowings		28,969,634	26,546,586
Cash received from bonds issuing		23,000,000	26,200,000
Sub-total of cash inflows from financing activities		53,170,732	53,197,279
Cash repayments of borrowings		47,505,389	55,651,606
Cash payments for distribution of dividends or profits or settlement of interest expense		9,622,492	7,318,139
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		2,788,254	1,043,342
Other cash payments relating to financing activities		1,409,542	1,439,385
Sub-total of cash outflows from financing activities		58,537,423	64,409,130
Net cash flow (used in)/from financing activities		(5,366,691)	(11,211,851)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		281,856	369,150
V. Net increase in cash and cash equivalents	VII. 70	(1,540,541)	4,329,572
Add: Opening Balance of Cash and Cash Equivalents	VII. 70	47,607,566	43,277,994
VI. Closing Balance of Cash and Cash Equivalents	VII. 70	46,067,025	47,607,566

Legal representative
Sun Yongcai

Chief Accountant
Li Zheng

Person in Charge of the
Accounting Department
Shi Jian Feng



Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note	2023	2022
I. Cash flows from operating activities:			
Cash receipts from the sale of goods and rendering of services		441,622	419,040
Receipts of tax refunds		1,041	1,667
Other cash receipts relating to operating activities		4,753,362	14,140,916
Sub-total of cash inflows from operating activities		5,196,025	14,561,623
Cash payments for goods purchased and services received		29,726	40,902
Cash payments to and on behalf of employees		162,039	165,884
Payment of various taxes		71,807	66,127
Other cash payments relating to operating activities		5,246,546	14,365,418
Sub-total of cash outflows from operating activities		5,510,118	14,638,331
Net cash flow (used in)/from operating activities	XVIII.6	(314,093)	(76,708)
II. Cash flows from investing activities:			
Cash receipts from recovery of investments		28Tj/T1 1 Tf-50.90158a8.748 0 T(14,365,418)	

Consolidated statement of changes in owners' equity

From January to December 2023

Prepared by: CRRC Corporation Limited

RMB'000

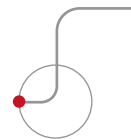
ITEM	For the year ended 31 December 2023									
	Equity attributable to owners of the Company									
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Sub-total	Noncontrolling interests	Total
I. Closing balance of the previous year	28,698,864	41,353,278	(687,727)	49,957	5,491,912	693,662	79,441,376	155,041,322	35,944,594	190,985,916
II. Opening balance of the current year	28,698,864	41,353,278	(687,727)	49,957	5,491,912	693,662	79,441,376	155,041,322	35,944,594	190,985,916
III. Changes in equity during the period	-	214,900	(212,324)	-	827,178	(22,702)	5,124,999	5,932,051	(394,652)	5,537,399
(I) Total comprehensive income	-	-	(223,782)	-	-	-	11,711,576	11,487,794	2,762,098	14,249,892
(II) Shareholders' contributions and reduction in capital	-	214,900	-	-	-	-	-	214,900	374,480	589,380
1. Capital contribution from owners	-	153,854	-	-	-	-	-	153,854	1,016,741	1,170,595
2. Others	-	61,046	-	-	-	-	-	61,046	(642,261)	(581,215)
(III) Profit distribution	-	-	-	-	827,178	-	(6,575,119)	(5,747,941)	(2,880,037)	(8,627,978)
1. Distributions to owners	-	-	-	-	-	-	(5,739,773)	(5,739,773)	(2,849,093)	(8,588,866)
2. Appropriation for surplus reserve	-	-	-	-	827,178	-	(827,178)	-	-	-
3. Others	-	-	-	-	-	-	(8,168)	(8,168)	(30,944)	(39,112)
(IV) Transfers within Shareholders' equity	-	-	11,458	-	-	-	(11,458)	-	-	-
1. Other comprehensive income carried forward to retained earnings	-	-	11,458	-	-	-	(11,458)	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-
1. Appropriation of special reserve	-	-	-	625,666	-	-	-	625,666	93,913	719,579
2. Amount utilised in the year	-	-	-	(625,666)	-	-	-	(625,666)	(93,913)	(719,579)
(VI) Others	-	-	-	-	-	(22,702)	-	(22,702)	(651,193)	(673,895)
IV. Closing balance of the current period	28,698,864	41,568,178	(900,051)	49,957	6,319,090	670,960	84,566,375	160,973,373	35,549,942	196,523,315

Legal representative
Sun Yongcai

Chief Accountant
Li Zheng

Person in Charge of the
Accounting Department
Shi Jian Feng

Consolidated statement of changes in owners' equity



From January to December 2023

Prepared by: CRR Corporation Limited

RMB'000

ITEM	For the year ended 31 December 2022									
	Equity attributable to owners of the Company									
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Sub-total	Noncontrolling interests	Total
I. Closing balance of the previous year	28,698,864	41,887,193	(1,277,255)	49,957	4,844,204	654,226	73,717,157	148,574,346	33,717,160	182,291,506
II. Opening balance of the current year	28,698,864	41,887,193	(1,277,255)	49,957	4,844,204	654,226	73,717,157	148,574,346	33,717,160	182,291,506
III. Changes in equity during the period	-	(533,915)	589,528	-	647,708	39,436	5,724,219	6,466,976	2,227,434	8,694,410
(I) Total comprehensive income	-	-	589,562	-	-	-	11,653,448	12,243,010	2,872,602	15,115,612
(II) Shareholders' contributions and reduction in capital	-	(533,915)	-	-	-	-	(68,422)	(602,337)	528,435	(73,902)
1. Capital contribution from owners	-	52,984	-	-	-	-	-	52,984	598,756	651,740
2. Others	-	(586,899)	-	-	-	-	(68,422)	(655,321)	(70,321)	(725,642)
(III) Profit distribution	-	-	-	-	647,708	39,436	(5,860,841)	(5,173,697)	(1,173,603)	(6,347,300)
1. Appropriation for surplus reserve	-	-	-	-	647,708	-	(647,708)	-	-	-
2. Appropriation for general risk reserve	-	-	-	-	-	39,436	(39,436)	-	-	-
3. Distributions to owners	-	-	-	-	-	-	(5,165,796)	(5,165,796)	(1,166,062)	(6,331,858)
4. Others	-	-	-	-	-	-	(7,901)	(7,901)	(7,541)	(15,442)
(IV) Transfers within Shareholders' equity	-	-	(34)	-	-	-	34	-	-	-
1. Other comprehensive income carried forward to retained earnings	-	-	(34)	-	-	-	34	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-
1. Appropriation of special reserve	-	-	-	588,885	-	-	-	588,885	121,574	710,459
2. Amount utilised in the year	-	-	-	(588,885)	-	-	-	(588,885)	(121,574)	(710,459)
(VI) Others	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the current period	28,698,864	41,353,278	(687,727)	49,957	5,491,912	693,662	79,441,376	155,041,322	35,944,594	190,985,916

Legal representative
Sun Yongcai

Chief Accountant
Li Zheng

Person in Charge of the
Accounting Department
Shi Jian Feng



Prepared by: CRRC Corporation Limited

RMB'000

ITEM	For the year ended 31 December 2023					Total
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	
i. Closing balance of the previous year	28,698,864	62,808,927	(45,031)	5,491,912	6,530,738	103,485,410
ii. Opening balance of the current year	28,698,864	62,808,927	(45,031)	5,491,912	6,530,738	103,485,410
iii. Changes in equity during the period	-	1,038	38,735	827,178	1,704,825	2,571,776
(i) Total comprehensive income	-	-	38,735	-	8,271,776	8,310,511
(ii) Owners' contributions and reduction in capital	-	1,038	-	-	-	1,038
1. Others	-	1,038	-	-	-	1,038
(iii) Profit distribution	-	-	-	827,178	(6,566,951)	(5,739,773)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



III. BASIC INFORMATION ABOUT THE COMPANY

1 General information

CSR Corporation Limited (“CSR”) was incorporated in the PRC on 28 December 2007 as a joint stock company with limited liability under the Company Law of the PRC. CSR’s A shares were listed on the Shanghai Stock Exchange (the “SSE”) on 18 August 2008 and CSR’s H shares were listed on the main board of The Stock Exchange of Hong Kong Limited on 21 August 2008. CSR non-public issued A-share ordinary shares in 2012, and the ordinary shares increased to 13,803,000,000 shares after the non-public issuing.

China CNR Corporation Limited (“CNR”) was incorporated in the PRC on 26 June 2008 as a joint stock company with limited liability under the Company Law of the PRC. CNR made an initial public offering of A shares which were listed on the SSE on 29 December 2009. H shares of CNR were listed on the Main Board of the HKSE on 22 May 2014. As at 31 December 2014, CNR has issued total shares of 12,259,780,303.

CSR and CNR published a joint announcement on 30 December 2014, announcing that the two companies entered into a merger agreement with respect to a merger proposal (“2015 Business Combination”). CSR and CNR would merge by CSR issuing, on the basis of a single exchange ratio, CSR A shares and CSR H shares to holders of CNR A shares and CNR H shares respectively in exchange for all of the issued shares of CNR. The exchange proportion was 1:1.10, meaning that each CNR A share should be exchanged for 1.10 CSR A shares to be issued by CSR and that each CNR H share should be exchanged for 1.10 CSR H shares to be issued by CSR. As all of the conditions of the above agreement as specified in the merger agreement had been satisfied, the merger agreement became effective on 28 May 2015. CSR issued 2,347,066,040 H shares and 11,138,692,293 A shares on 26 May 2015 and 28 May 2015 respectively. CNR A shares were deregistered from the SSE and CNR H shares were deregistered from the Main Board of HKSE. After the completion of the merger, CSR assumed all the assets, liabilities and business of CNR and CNR was deregistered according to law. On 1 June 2015, the name of CSR was changed from “CSR Corporation Limited” to “CRRC Corporation Limited” (“CRRC” or the “Company”).

On 5 August 2015, the respective holding companies of the Company, namely CSR Group (formerly China South Locomotive and Rolling Stock Industry (Group) Corporation) and China Northern Locomotive & Rolling Stock Industry (Group) Corporation (“CNR Group”) concluded the Merger Agreement by which CNR Group merged CSR Group with the latter deregistered and then was renamed to CRRC Group (later renamed to CRRC Group Co., Ltd., “CRRCG”). All assets, liabilities, business, employees, contracts, qualifications and other rights and obligations of CSR Group shall be inherited by CRRCG after the merger.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

III. BASIC INFORMATION ABOUT THE COMPANY *(continued)*

1 General information *(continued)*

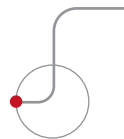
As proposed and approved in the Company's 2015 annual general meeting of shareholders as well as approved by the China Securities Regulatory Commission ("CSRC") on Reply on the Approval of Non-public Issuance of Stocks by CRRC Corporation Limited (Zheng Jian Xu Ke [2016] No. 3203), the Company completed the non-public offering 1,410,105,755 A shares with par value RMB1.00 each to specific investors in January 2017. The number of share capital has increased to 28,698,864,088, and CRRC Group remains the controlling shareholder of the Company.

The address of the Company's registered office is No.16 Central West Fourth Ring Road, Haidian District, Beijing, the PRC.

The Company and its subsidiaries (collectively the "Group") are principally engaged in the research and development, design, manufacture, refurbishment and service of locomotives (including multiple units), metro cars, engineering machinery, mechanical and electric equipment, electronic equipment and related components products, electronic appliances and environmental protection equipment, as well as sales, technical services and equipment leasing of related products; information consultation; industrial investment of the above business; assets management; imports and exports.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



III. BASIC INFORMATION ABOUT THE COMPANY (continued)

2 Scope of consolidated financial statement (continued)

Company name	Principal place of business	Registered office	Type of legal entity	Legal representative	Business scope/ Nature of business	Unified social credit code	Paid-in capital (RMB'000)	Shareholding proportion (%)	Voting proportion (%)
CRRC Nanjing Puzhen Co., Ltd. ("CRRC Puzhen")	China	Nanjing	Limited liability company	Li Dingnan	Manufacturing	91320191663764650N	5,126,943	100.00	100.00
CRRC Hong Kong Capital Management Co., Ltd. ("CRRC Hong Kong Capital")	China	Hong Kong	Limited liability company	Li Jin	Investment and capital operation	Not applicable	3,503,568	100.00	100.00
CRRC ITET Co., Ltd. ("CRRC ITET")	China	Beijing	Limited liability company	Wang Hongwei	Housing industry	91110106590663663T	1,500,000	50.00	50.00
CRRC Yongji Electric Co., Ltd. ("CRRC Yongji Electric")	China	Yongji	Limited liability company	Xing Xiaodong	Manufacturing	91140881664458751J	1,331,171	100.00	100.00
CRRC Sifang Institute Co., Ltd. ("CRRC Sifang Institute")	China	Qingdao	Limited liability company	Kong Jun	Manufacturing	91370200264582788W	1,754,475	100.00	100.00
CRRC Finance Co., Ltd. ("CRRC Finance")	China	Beijing	Limited liability company	Dong Xuzhang	Financing	911100000573064301	3,200,000	91.36	91.36
CRRC Zhuzhou Electric Co., Ltd. ("CRRC Zhuzhou Electric")	China	Zhuzhou	Limited liability company	Nie Ziqiang	Manufacturing	9143020076071871X7	1,342,200	100.00	100.00
CRRC Ziyang Co., Ltd. ("CRRC Ziyang")	China	Ziyang	Limited liability company	Chen Zhixin	Manufacturing	91512000786693055N	2,028,889	99.60	99.60
CRRC Beijing Nankou Co., Ltd. ("CRRC Nankou")	China	Beijing	Limited liability company	Tao Lu	Manufacturing	91110000664625580F	1,008,000	100.00	100.00
CRRC Datong Co., Ltd. ("CRRC Datong")	China	Datong	Limited liability company	Huang Qichao	Manufacturing	91140200602161186E	656,000	100.00	100.00
CRRC Dalian Institute Co., Ltd. ("CRRC DLRI")	China	Dalian	Limited liability company	Zhang Bo	Manufacturing	91210200243024402A	903,000	100.00	100.00
CRRC Sifang Co., Ltd. ("CRRC SFC")	China	Qingdao	Limited liability company	Ma Lijun	Manufacturing	9137020016357624X1	168,725	100.00	100.00
CRRC Logistics Co., Ltd. ("CRRC Logistics")	China	Beijing	Limited liability company	Zhang Mingdong	Logistics and trade	91110108737682982M	784,000	100.00	100.00
CRRC Academy Co., Ltd. ("CRRC ACADEMY")	China	Beijing	Limited liability company	Gong Ming	Research and development	911101063066897448	239,220	100.00	100.00
CRRC International Co., Ltd. ("CRRC International")	China	Beijing	Limited liability company	Wu Yan	Trade	911101067109217367	2,580,000	100.00	100.00
CRRC Information Technology Co., Ltd. ("CRRC InfoTech")	China	Beijing	Limited liability company	Chen Kai	Software development	91110108700035941C	594,680	100.00	100.00
CRRC SA (PTY) LTD	South Africa	South Africa	Limited liability company	Han Xiaobo	Manufacturing	Not applicable	ZAR 1,000	66.00	66.00
Zhuzhou CRRC Times Electric Co., Ltd. ("Times Electric") (Note 1)	China	Zhuzhou	Limited company	Li Dongjin	Manufacturing	914300007808508659	1,416,237	47.72	47.72
Zhuzhou Times New Material Technology Co., Ltd. ("TMT") (Note 2)	China	Zhuzhou	Limited company	Peng Huawen	Manufacturing	91430200712106524U	824,538	38.52	49.54
CRRC Qihang New Energy Technology Co., Ltd.	China	Beijing	Limited liability company	Liu Jianxun	Research and development	91110108MAD3W43D43	300,000	100.00	100.00
CRRC (Chongqing) Intelligent Rail Transit Technology Co., Ltd.	China	Chong Qing	Limited liability company	Zhang Hongquan	Research and development	91500112MAD9CP0C01	/	/	/



Notes to the Consolidated Financial Statements

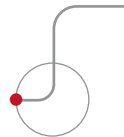
For the year ended 31 December 2023

III. BASIC INFORMATION ABOUT THE COMPANY *(continued)*

2 Scope of consolidated financial statement *(continued)*

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



IV. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1 Basis of preparation

The financial statements have been prepared on the going concern basis.

The Group has adopted the Accounting Standards for Business Enterprises and relative regulations (“ASBE”) issued by the Ministry of Finance (the “MOF”).

According to Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong and other relevant Security Listing Rules Amendments issued by the Hong Kong Stock Exchange (Hong Kong Listing Rules) in December 2010, also referring to the relevant provisions issued by the MoF and the China Securities Regulatory Commission (“CSRC”), and approved by the 10th meeting of the second board of directors of the Company and the General Meeting of the Company, from 2019 fiscal year, the Company no longer provides the financial statements prepared in accordance with the ASBE and the International Financial Reporting Standards (the “IFRS”) separately to stockholders of A shares and H shares. Instead, the Company provides the financial statements prepared in accordance with the ASBE to all stockholders, taking the relevant disclosure standards of Hong Kong Companies Ordinance and Hong Kong Listing Rules into consideration.

The financial data in this report are prepared based on ASBE.

In addition, the financial statements of the Company also comply with the disclosure requirements of financial statements and notes in the Information Disclosure and Preparation Rules for Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting revised by the CSRC in 2023.

2 Going concern

The Group evaluated the going concern capability for the next twelve months from 31 December 2023 and found no matters or circumstances that could raise serious doubts about the going concern capability. These financial statements have been prepared on a going concern basis.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1 Statement of compliance with the ASBE

These financial statements are in compliance with the ASBE to truly and completely reflect consolidated and the Company's financial position as at 31 December 2023, and consolidated and the Company's operating results, changes in shareholders' equity and cash flows for the 12 month period then ended.

2 Accounting period

The Company has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

3 Business cycle

Business cycle refers to the period since purchasing assets for production till the realisation of cash or cash equivalents. The Company's business cycle is 12 months in general.

4 Reporting currency

The functional currency of the Company is RMB and is adopted to prepare the financial statements. Except for particular explanations, all items are presented in RMB'000. The functional currency of the Company's subsidiaries, joint ventures and associates is selected based on economic environment where they operate.

5 Method used to determine the materiality threshold and the basis for selection

Item	Materiality threshold
Material provision for bad and doubtful debts of accounts receivable on an individual basis	Amount over or equal to 0.50% of the owner's equity attributable to the parent company audited in the latest period
Material provision for bad and doubtful debts of accounts receivable on an individual basis	Amount over or equal to 0.50% of the owner's equity attributable to the parent company audited in the latest period
Material construction projects in progress	Amount over or equal to 0.50% of the owner's equity attributable to the parent company audited in the latest period
Material accounts payable/other payables aged over 1 year or overdue	Amount over or equal to 0.50% of the owner's equity attributable to the parent company audited in the latest period
Material joint ventures or associates	The carrying amount of long-term equity investments in joint ventures or associates is over or equal to 2.00% of the total equity attributable to shareholders of the company audited in the latest period

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

6 The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations includes business combinations involving enterprises under common control and business combinations involving enterprises not under common control.

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations involving enterprises not under common control.

For a transaction involving enterprises not under common control, the acquirer determines whether acquired set of assets constitute a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met, the set of assets is determined not to be a business. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities at their acquisition date fair values. It is not required to apply the accounting of business combination described as below.

(1) Business combinations involving enterprises 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 business combination, and that control is not transitory. For a business combination involving entities under common control, on the combination date, the party that obtains control of another entity in the combination is the acquirer, while the other entity is the acquiree. The combination date is the date on which the acquirer obtains control of the acquiree.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. 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 par 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 in the period in which they are incurred.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

6 The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control *(continued)*

(2) Business combinations not involving enterprises under common control and goodwill

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 business combination.

The cost of combination is the aggregate of fair values of the assets given, liabilities incurred or assumed, and equity instruments 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.

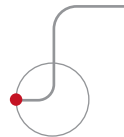
The acquiree's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination involving enterprises not under common control shall be measured at fair value at the date of acquisition.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current year.

The goodwill arising on a business combination should be separately disclosed in the consolidated financial statement and measured by the amount of costs deducted by the accumulative provision for impairment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

7 Criteria of control and basis for preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is achieved when the company 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 to affect its returns. A subsidiary is an enterprise that is controlled by the Company. The financial positions, operating results, and cash flow of subsidiaries are included in consolidated financial statement from acquisition date to termination date of control.

For subsidiaries acquired through a business combination involving enterprises under common control, they will be fully consolidated into consolidated financial statements from the date on which subsidiary was ultimately under common control by the same party or parties. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows appropriately.

For a subsidiary acquired through a business combination involving enterprises not under common control, the acquired subsidiaries are consolidated in consolidated financial statement on the basis of fair value of identifiable assets and liabilities recognised on the date of acquisition.

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.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity, profits or losses and comprehensive income that is attribute to their non-controlling shareholders is separately presented under "shareholders' equity" in the consolidated balance sheet, and "net profit" and "total comprehensive income" in the consolidated income statement.

When the amount of loss for the period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is still allocated against non-controlling interests.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

7 Criteria of control and basis for preparation of consolidated financial statements *(continued)*

Acquisition of non-controlling interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under shareholders' equity. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost, and offset goodwill simultaneously. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

8 Classification of joint arrangements and accounting methods for joint management

The joint arrangement includes joint operations and joint ventures. The classification is determined by considering the structure, legal form and contract terms of the arrangement according to the rights and obligations of the joint party in the joint arrangement. Joint operation refers to whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint venture arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

The Group's joint arrangements are joint ventures, which are accounted for using the equity method, and are set out in Note V.14.

9 Recognition criteria of cash and cash equivalent

Cash equivalents are the Group's short-term (it generally expires within three months from the date of purchase), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

10 Translation of transactions and financial statements denominated in foreign currencies

For foreign currency transactions, the Group translates the amount of foreign currency into RMB.

Foreign currency transactions are initially recorded using the functional currency spot exchange rate at the date of the transactions. At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rate at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that (i) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period; (ii) exchange differences arising from changes in the carrying amounts (other than the amortised cost) of monetary items measured at fair value through other comprehensive income are recognised as other comprehensive income.

Foreign currency non-monetary items measured at historical cost are translated into the amounts in functional currencies at the spot exchange rates at the transaction dates. Foreign currency nonmonetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognised in profit and loss or as other comprehensive income.

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: all the assets and liability items in the balance sheet are translated using the spot exchange rates at the balance sheet date, shareholders' equity items except of "retained earnings" are translated at the spot exchange rates at the date on which such items arose; income and expense items in the income statement are translated at the average exchange rates during the period in which the transaction occurs. Translation differences of financial statements denominated in foreign currencies arising hereby are recognised as other comprehensive income. When a foreign operation is disposed of, other comprehensive income associated with such foreign operation is transferred to profit or loss for the period in which it is disposed of. In case of a disposal or other reason that leads to the reduction of the proportion of foreign operation interests held but does not result in the Group losing control of a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to non-controlling interests and are not recognised in profit and loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

Foreign currency cash flows and the cash flows of foreign subsidiaries are translated using the average exchange rate for the year during which the cash flows occur. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as effect of foreign exchange rate changes on cash and cash equivalents.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11 Financial Instruments

Financial instruments include cash at bank and on hand, investments in debt and equity securities other than those classified as long-term equity investments (see Note V.14), receivables, payables, loans and borrowings, debentures payable and share capital.

(1) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial asset or financial liability is measured initially at fair value. For financial assets and financial liabilities measured at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. Accounts receivables that do not have a significant financing component or do not account for the significant financing component in one-year-or-less contracts under the practical expedient are initially measured at the transaction price in accordance with Note V.25.

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model under which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

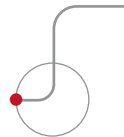
Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held under a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11 Financial Instruments *(continued)*

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

(a) Classification of financial assets *(continued)*

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held under a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis, and the instrument meets the definition of equity from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11 Financial Instruments *(continued)*

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

(b) Subsequent measurement of financial assets

– Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

– Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and that is not part of a hedging relationship should be recognised in profit or loss when the financial asset is derecognised, reclassified, amortised under the effective interest method or when an impairment gain or loss is recognised.

– Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, and impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

– Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11 Financial Instruments *(continued)*

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL or as financial liabilities measured at amortised cost.

– **Financial liabilities at FVTPL**

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liabilities) or if it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value; and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

– **Financial liabilities at amortised cost**

These financial liabilities are subsequently measured at amortised cost using the effective interest method.

(4) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(5) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred; and although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11 Financial Instruments *(continued)*

(5) Derecognition of financial assets and financial liabilities *(continued)*

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the financial asset derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(6) Impairment

The Group recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost;
- contract assets; and
- lease receivables.

Financial assets measured at fair value, including debt investments or equity securities at FVTPL, equity securities designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11 Financial Instruments *(continued)*

(6) Impairment *(continued)*

Measurement of ECLs *(continued)*

Loss allowances for bills receivable, accounts receivable, receivables under financing and contract assets arising from ordinary business activities such as sale of goods and provision of services, as well as lease receivables arising from lease transactions are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

Except for bills receivable, accounts receivable, receivables under financing, contract assets, and lease receivables, the Group measures loss allowances at an amount equal to 12-month ECLs for the following financial instruments, and at an amount equal to lifetime ECLs for all other financial instruments:

- Financial instruments that have been determined to have low credit risk at the balance sheet date;
- Financial instruments for which credit risk has not increased significantly since initial recognition.

Provisions for bad and doubtful debts arising from receivables

(a) Categories of groups for collective assessment based on credit risk characteristics and basis for determination

Bills receivable	Based on the different credit risk characteristics of acceptors, the Group classifies bills receivable into two groups: bank acceptance bills and commercial acceptance bills.
Accounts receivable	According to the different credit risk characteristics of customers, the Group divides accounts receivable into three portfolios: central enterprise customer portfolio, local government/local state-owned enterprise customer portfolio and other customer portfolios.
Other receivables	Based on the nature of receivables and the credit risk characteristics of different counterparties, the Group classifies other receivables into 3 groups, specifically: the group of current accounts receivable and prepaid expenses, the group of deposit receivable and the group of others.
Contract assets	According to the different credit risk characteristics of customers, the Group divides accounts receivable into three portfolios: central enterprise customer portfolio, local government/local state-owned enterprise customer portfolio and other customer portfolios.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11 Financial Instruments *(continued)*

(6) Impairment *(continued)*

Provisions for bad and doubtful debts arising from receivables *(continued)*

(b) Criteria for individual assessment

Bills receivable, accounts receivable, other receivables, and contract assets are usually assessed collectively as a group based on credit risk characteristics to make provisions. When a counterparty is significantly different from other counterparties in the group in terms of credit risk characteristics, or if there has been a significant change in its credit risk characteristics, the individual approach is adopted for receivables due from this counterparty.

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower 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 borrower to fulfil its contractual cash flow obligations.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- failure to make payments of principal or interest on their contractual due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11 Financial Instruments *(continued)*

(6) Impairment *(continued)*

Credit-impaired financial assets

At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulties of the issuer or debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the debtor's financial difficulties, the Group having granted to the debtor a concession that it would not otherwise consider;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for the financial asset because of financial difficulties of the issuer or debtor.

Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investments that are measured at FVOCI, the loss allowance is recognised in other comprehensive income and not deducted from the carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This generally occurs when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11 Financial Instruments *(continued)*

(7) Equity instruments

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

When the Company repurchases its own shares, those shares are treated as treasury shares. The entire repurchase expenditure is recorded as the cost of the treasury shares in the reference register. Treasury shares are excluded from profit distributions and are presented as a deduction from shareholders' equity on the balance sheet.

When treasury shares are cancelled, the share capital should be reduced to the extent of the total par value of the treasury shares cancelled. Where the cost of the treasury shares cancelled exceeds the total par value, the excess is deducted from capital reserve (share premium), surplus reserve and retained earnings sequentially. If the cost of treasury shares cancelled is less than the total par value, the difference is credited to the capital reserve (share premium).

When treasury shares are disposed of, any excess of proceeds above cost is recognised in capital reserve (share premium); otherwise, the shortfall is deducted against capital reserve (share premium), surplus reserve and retained earnings sequentially.

(8) Convertible instruments

– Convertible instruments containing an equity component

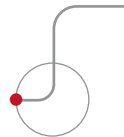
Convertible instruments issued by the Group that can be converted to equity instruments of the Group, where a fixed number of equity instruments is issued in exchange for a fixed amount of consideration at the time of conversion, are accounted for as compound financial instruments containing both liability and equity components.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The Group first determines the fair value of the liability component which includes the fair value of any embedded derivatives other than the equity component. The amount allocated to the equity component is the residual amount after deducting the fair value of the liability component from the fair value of the entire compound instrument. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition as measured at fair value through profit or loss. The equity component is not re-measured.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11 Financial Instruments *(continued)*

(8) Convertible instruments *(continued)*

– Convertible instruments containing an equity component *(continued)*

If the convertible instrument is converted, the liability component is transferred to equity and the equity component remains as equity, both of which are transferred to the relevant captions in equity. If the convertible instrument is redeemed, the consideration paid for the redemption and the transaction costs that relate to the redemption are allocated to the liability and equity components. The method used to allocate the consideration and transaction costs is consistent with that used for the issue of the convertible instrument. After allocating the consideration and transaction costs, the relevant difference between the allocated amount and carrying amount of the liability component is recognised in profit and loss, and the relevant difference between the allocated amount and carrying amount of the equity component is directly recognised in equity.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

12 Inventories

(1) Categories

Inventories include raw materials, work in progress, finished goods, commissioned processing materials and turnover materials, etc.

Inventories are initially measured at cost. Cost of inventories include purchase costs, processing cost and other costs.

(2) Measurement method of cost of inventories

The actual costs of inventories are determined on specific identification, first-in, first-out, or weighted average methods depending on business types.

(3) Inventory count system

The perpetual inventory system is maintained for stock system.

(4) Amortisation method for low-value consumables and packaging materials.

Reusable materials include low cost and short-lived consumables, packaging materials, etc., which are amortised using either one-off amortisation method or multiple-stage amortisation method.

(5) Criteria and method for provision for obsolete inventories.

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the cost of inventories is higher than the net realisable value, a provision for decline in value of inventories is recognised in profit or loss. If factors that previously resulted in the provision for decline in value of inventories no longer exist, the amount of the write-down is reversed. The reversal is limited to the amount originally provided for the provision for the decline in value of inventories, and is recognised in profit or loss of the current period.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

For inventories that relate to a product series that is produced and marketed in the same geographical area, have the same or similar uses or purposes, and cannot be practicably evaluated separately from other items, provision for decline in value of inventories can be determined on an aggregate basis. Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis.



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

13 Assets held for sale and discontinued operations

(1) Recognition criteria and accounting treatment methods of non-current assets or disposal groups classified as held for sales.

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the carrying amount through a sale (including an exchange of nonmonetary assets that has commercial substance) rather than continuing use.

Non-current assets or disposal groups classified as held for sale are required to satisfy both of the following conditions: (1) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Group has made a resolution about selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

The Group measures the non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognised in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of held-for-sale assets are made. When there is increase in the net amount of fair value of assets classified as held for sale less costs to sell at the balance sheet date, the original deduction should be reversed in impairment loss of assets recognised after the classification of held-for-sale category, and the reverse amount is included in profit or loss for the period.

Non-current assets classified as held-for-sale or disposal groups are not depreciated or amortised, interest and other costs of liabilities of disposal group classified as held for sale continue to be recognised.

(2) Recognition criteria and presentation method of discontinued operations

The Group classifies a separate component as a discontinued operation either upon disposal of the operation or when the operation meets the criteria to be classified as held for sale if it is separately identifiable and satisfies one of the following conditions:

- It represents a separate major line of business or a separate geographical area of operations;
- It is part of a single co-ordinated plan to dispose of a separate major line of business or a separate geographical area of operations;
- It is a subsidiary acquired exclusively with a view to resale.

Where an operation is classified as discontinued in the current period, profit or loss from continuing operations and profit or loss from discontinued operations are separately presented in the income statement for the current period. Profit or loss from continuing operation in the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

14 Long-term equity investments

(1) Judgment criteria for joint control and significant influence

Control is achieved 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 to affect its returns. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

(2) Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the share of the carrying amount of the shareholders' equity of the acquiree attributable to the ultimate controlling party at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. For a business combination not involving enterprises under common control achieved in stages that involves multiple exchange transactions, the initial investment cost is carried at the aggregate of the carrying amount of the acquirer's previously held equity interest in the acquiree and the new investment cost incurred on the acquisition date. Except for long-term equity investment acquired through a business combination, other equity investment is initially measured at cost.

The expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services and

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

14 Long-term equity investments *(continued)*

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

(b) Long-term equity investment measured under the equity method

The Group measured investments in associates and joint ventures under the equity method. An associate is an entity over which the Group has significant influence, and a joint venture is an entity over which the Group has joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or loss and other comprehensive income for the period. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments to be confirmed with the Group's accounting policies and accounting period. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures shall be eliminated when recognized investment income or loss to the extent that those attributable to the Group's equity interest. However, unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated if the trading assets do not form a business. Unrealised losses are resulted from the Group's transactions with its associates and joint ventures, the impairment losses on the transferred assets are not eliminated. Changes in other equity of the investee other than net profit or loss, other comprehensive income and profit distribution shall be included in capital reserve, with the carrying amount of long-term equity investment correspondingly adjusted.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently realised by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

14 Long-term equity investments *(continued)*

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

(c) Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognised in profit or loss for the period. For long-term equity investment measured under the equity method, the portion of other comprehensive income recognized before the Group had controlled over the investee under equity method or the financial assets recognition and measurement standard should be treated referring to the same fundamental of disposing related assets and liabilities.

(d) Methods of impairment assessment approach and provision for impairment are set out in Note V. 20.

15 Investment properties

The properties held by the Group for the purpose of earning rentals or for capital appreciation or for both purposes are categorised to investment property. The Group measures investment property under cost model, namely, investment properties are presented in balance sheet by cost deducting accumulated depreciation, amortisation and impairment loss. The investment properties are depreciated over its useful life by straight-line method after deducting estimated net residual value. The useful life, residual value rate and annual depreciation rate for various investment properties are as follows:

Item	Useful life (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	20-50	3-5	1.90-4.85
Land use rights	50	–	2.00

If the Group has conclusive evidence that the purpose for holding properties has changed and if one of the following conditions is met, the investment properties shall be converted into other assets, or other assets shall be converted into investment properties:

- The purpose for holding the property is changed to self-use;
- The self-use land use rights are stopped self-using, and changed to held for earning rentals or capital appreciation;
- Self-use buildings stopped self-using, and changed to for renting.

Under the cost model, the carrying amounts of the buildings remain unchanged before and after the purpose change.

Methods of impairment assessment and provision for impairment are set out in Note V. 20.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

16 Fixed assets

(1) Recognition criteria

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year.

The initial cost of purchased fixed assets includes purchase cost, relevant taxes and expenses attributable to the asset incurred before it reaches ready-to-use condition. The initial cost of self-constructed fixed assets is recognised in accordance with Note V. 17. The components of fixed assets, which have various useful life or contribute economic benefits to the Group in different ways, or at different depreciation rate or via different depreciation methods, will be recognised as individual fixed assets by the Group. The subsequent expenditure of fixed assets (including amount paid for replacing certain component of fixed assets), is recognised into cost of fixed assets if it qualifies recognition criteria. Meanwhile, the carrying amount of replaced component is deducted. The expense relating to routine maintenance of fixed assets is included in profit or loss when it is incurred. Fixed assets are presented on the balance sheet at cost less accumulated depreciation and impairment losses.

(2) Depreciation method

Category	Depreciation method	Depreciation period (year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	Straight-line method	10-50	3-5	1.90-9.70
Machinery and equipment	Straight-line method	3-28	3-5	3.39-32.33
Office equipment and other equipment	Straight-line method	5-12	3-5	7.92-19.40
Transportation vehicles	Straight-line method	5-15	3-5	6.33-19.40

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period. The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at the end of each fiscal year, and makes adjustments when necessary. The Group does not make depreciation for overseas land ownership, which has no residual value.

(3) Methods of impairment assessment and provision for impairment are set out in Note V. 20.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

17 Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs.

Construction in progress is transferred to a fixed asset when it is ready for intended use. For purchased fixed assets, if the purchased fixed assets do not need to be installed, they can reach the expected serviceable status after the purchase acceptance; if the purchased fixed assets need to be installed, they will reach the intended serviceable condition after the installation and commissioning meet the design requirements or the standards specified in the contract. The self-constructed fixed assets are transferred into fixed assets when the project is completed and reaches the expected serviceable condition.

For sale of products or by-products generated before a fixed asset reaches ready-to-use condition, the relevant income and cost shall be accounted for separately and included in the current profit and loss in accordance with the requirements of the Accounting Standards for Business Enterprises No. 14 – Revenue and the Accounting Standards for Business Enterprises No. 1 – Inventories.

Methods of impairment assessment and provision for impairment are set out in Note V. 20.

18 Borrowing Costs

Borrowing costs are interests and other costs incurred by the Group in connection with the borrowing of funds. Borrowing costs include interests, amortisation of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised. The amounts of other borrowing costs incurred are recognised as an expense in the period in which they are incurred. Qualifying assets are assets that necessarily take a substantial period of time for construction or production to get ready for their intended use or sale.

The capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

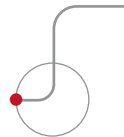
- Expenditures for the asset have incurred; and
- Borrowing costs are being incurred; and
- Activities relating to the construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

During the capitalisation period, the amount of interest to be capitalised for each accounting period shall be determined as follows:

- Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

18 Borrowing Costs *(continued)*

- Where funds are borrowed under general-purpose borrowings, the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use or sale, when the interruption is for a continuous period of more than 3 months. Borrowing costs incurred during these periods are recognised as an expense of the current period until the acquisition, construction or production is resumed.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Any borrowing costs incurred subsequently are recognised as an expense in the period in which they are incurred.

19 Intangible assets

(1) Valuation method, useful life and impairment test

A purchased intangible asset is measured initially at cost. An intangible asset acquired in the combination not involving enterprises under common control, it shall be separately recognised as an intangible asset at its fair value on the acquisition date.

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit period over which the asset is expected to generate economic benefits for the Group.

The useful lives of the intangible assets are as follows:

Item	Useful life	Basis for determination
Land use rights	50-70 years	Legal right of use
Proprietary technology and technical know-how	3-25 years	The authorisation period agreed in the contract or the period for which economic benefits are expected to be brought to the Group
Software use rights	2-10 years	The authorisation period agreed in the contract or the period for which economic benefits are expected to be brought to the Group
Customer relationship	7-15 years	The period for which economic benefits are expected to be brought to the Group
Backlogs and technical service preferential orders	The period in which the services are rendered agreed in the contract	The period for rendering of services agreed in the contract



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

19 Intangible assets *(continued)*

(1) Valuation method, useful life and impairment test *(continued)*

Land use rights acquired by the Group during the service period specified in the contract are accounted for as intangible assets. For buildings such as plants that are developed and constructed by the Group, the relevant land use rights and buildings are accounted for as intangible assets and fixed assets respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if the payments cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets.

An intangible asset with a finite useful life is amortised using the straight-line method over its useful life. For an intangible asset with a finite useful life, the Group reviews the useful life and the amortisation method at least at the end of each fiscal year and makes adjustment if necessary.

An intangible asset with an indefinite useful life is not amortised and its useful life is reviewed in each accounting period. If there is an evidence indicating that the useful life of the intangible asset is finite, it is accounted for using the above accounting policies applicable to intangible assets with finite useful lives.

(2) Collection scope of research and development expenditure and relevant accounting treatment methods

The Group classifies the expenditure on an internal research and development project into research expenditures and development expenditures.

Research expenditure is recognised as an expense in the period in which it is incurred.

Development expenditures which meet the criteria set out below shall capitalised, that is, it is technically feasible to complete the intangible asset so that it will be available for use or sale; the Group has the intention to complete the intangible asset and use or sell it; the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset need to be proved; the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and the expenditure attributable to the intangible asset during its development phase can be reliably measured. Expenditure on the development phase that does not meet the above criteria is recognised in profit or loss for the period in which it is incurred. Research expenditure is recognised as an expense in the period in which it is incurred.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognises all of them in profit or loss for the period.

For sale of products or by-products generated during the research and development process, the relevant income and cost shall be accounted for separately and included in the current profit and loss in accordance with the requirements of the Accounting Standards for Business Enterprises No. 14 – Revenue and the Accounting Standards for Business Enterprises No. 1 – Inventories.

Methods of impairment assessment and provision for impairment are set out in Note V. 20.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

20 Impairment of long-term assets

The Group assesses at each balance sheet date whether there is any indication that long-term equity investment, fixed assets and construction in progress, investment properties, development expenditure, long-term deferred expenses and some other non-current assets under cost method, right-of-use assets and intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

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

If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Goodwill is tested for impairment at least at each year end. When conduct impairment test for goodwill, it should be considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

Once the above impairment loss is recognised, it cannot be reversed in any subsequent accounting periods.

21 Long-term deferred expenses

Long-term deferred expenses are expenses incurred that should be amortised over the current and subsequent periods (amortisation period of more than one year). Long-term deferred expenses are amortised using the straight-line method over the expected periods in which benefits are derived.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

22 Employee benefits

Employee benefits are all forms of remuneration and compensation given by an entity in exchange for services rendered by employees or for the termination of employment and other remunerations. Employee benefits include short-term benefit, Retirement benefits, termination benefits and other long-term employee benefits. The benefits the Group provided to employees' spouse, children, dependent, and families of deceased employees and other beneficiaries also belong to employee benefits.

(1) Accounting for short-term employee benefits

During the accounting period in which the employees provide services, the Group's actual short-term remuneration is recognised as liabilities and included in the profits or losses of the current year or recognised as respective assets costs.

Regarding to the health insurance, industrial injury insurance, maternity insurance and other social insurances, housing fund and labour union expenditure and personnel education that the Group paid for employees, the Group should recognise corresponding employees benefits payable and include these expenses in the profits or losses of the current year or recognised as respective assets costs.

(2) Accounting for retirement benefits

Retirement benefits are classified into defined contribution plans and defined benefit plans.

In an accounting period in which an employee has rendered service to the Group, the amount payable calculated in accordance with the defined contribution plan is recognised as a liability and charged to profit or loss in the period, or included in cost of related assets.

For defined benefit plans, the independent actuary makes actuarial estimation to determine cost of benefits offered and attributable period by using projected unit credit method. Defined benefit costs are categorised as follows:

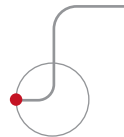
- (i) Service costs include current service cost, past service cost, as well as gains and losses on and settlements. Current service cost refers to the increase amount of present value of defined benefit obligation arising from service rendered in current year; past service cost refers to the change of present value of defined benefit obligation arising from modification of defined benefit plans;
- (ii) Net interest expense or income net of liabilities or assets (including interest income of planned assets, interest expenses of defined benefit plan liabilities and effect of asset ceiling;
- (iii) Changes arising from remeasurement of net liabilities or net assets of defined benefit plans (including actuarial gains and losses).

Unless benefits costs recognised in the cost of assets are required or permitted by other standards, the Group presents the above (i) and (ii) in profit or loss while (iii) in other comprehensive income, which will not be reversed to the profit or loss during the subsequent accounting period.

The defined benefit plans provided by the Group are set out in Note VII. 43.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

22 Employee benefits *(continued)*

(3) Accounting for termination benefits

When the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision shall be recognised for the compensation arising from termination of employment relationship with employees, with a corresponding charge to the profit or loss for the current year, at the earlier of when:

- (i) The Group cannot unilaterally withdraw from the termination plan or the redundancy offer; or
- (ii) The Group recognises costs relating to termination benefits payment in respect of restructuring.

23 Provisions

Except for contingent consideration arising and contingent liabilities undertaken in business combinations, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied: (i) the obligation is a present obligation of the Group; (ii) it is probable that an outflow of economic benefits will be required to settle the obligation; and; (iii) the amount of the obligation can be measured reliably. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with 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 estimate.

Provisions are recognised when the Group has a present obligation related to a contingency such as warranty provisions/onerous contract/outstanding litigations, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into consideration of the factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

24 Share-based payments

(1) Classification of share-based payments

Share-based payment transactions in the Group are classified as equity-settled share-based payments and cash-settled share-based payments.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

24 Share-based payments *(continued)*

(2) Accounting treatment of share-based payments

– Equity-settled share-based payments

Where the Group uses shares or other equity instruments as consideration for services received from employees, the payment is measured at the fair value of the equity instruments granted to employees at the grant date. If the equity instruments granted to employees vest immediately, the fair value of the equity instruments granted is fully recognised as costs or expenses on the grant date, with a corresponding increase in capital reserve. If the equity instruments granted do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognises an amount at each balance sheet date during the vesting period based on the best estimate of the number of equity instruments expected to vest according to newly obtained subsequent information regarding changes in the number of employees expected to vest the equity instruments. The Group measures the services received at the grant-date fair value of the equity instruments and recognises the costs or expenses as the services are received, with a corresponding increase in capital reserve.

When the Group receives services but has no obligation to settle the transaction because the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group also classifies the transaction as equity-settled.

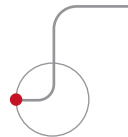
– Cash-settled share-based payments

Where the Group receives services from employees by incurring a liability to deliver cash or other assets for amounts that are determined based on the price of shares or other equity instruments, the services received from employees are measured at the fair value of the liability incurred. If a cash-settled share-based payment vests immediately, the Group immediately recognises on the grant date the costs or expenses and the liability incurred at the fair value of the liability incurred. If a cash-settled share-based payment does not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognises costs or expenses as services are received, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting. Until the liability is settled, the enterprise shall remeasure the fair value of the liability at each balance sheet date and at the date of settlement, with changes recognised in profit or loss for the current period.

When the Group receives services and has the obligation to settle the transaction, but the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group classifies the transaction as cash-settled.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

25 Revenue

(1) Accounting policy for recognition and measurement of revenue from contracts with customers according to business type

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

- (i) Revenue from selling of goods;



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

25 Revenue *(continued)*

(1) Accounting policy for recognition and measurement of revenue from contracts with customers according to business type *(continued)*

If the contract includes two or more performance obligations, at contract inception, the Group allocates the transaction price to single performance obligation according to relative proportion of the stand-alone selling prices of the goods or services promised by single performance obligation. However, where there is conclusive evidence that the contract discount or variable consideration is only related to one or more (not all) performance obligations in the contract, the Group shall allocate the contract discount or variable consideration to relevant one or more performance obligations. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group shall consider all information that is reasonably available to the Group and maximize the use of observable inputs and apply estimation methods consistently in similar circumstances.

If the contract includes consideration payable to a customer (for example, supplier nomination fee, etc.), the Group shall account for consideration payable to a customer as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service, and recognised the reduction of revenue when (or as) the later of either of the following events occurs: 1) the Group recognises revenue for the transfer of the related goods or services to the customer; and 2) the Group pays or promises to pay the consideration.

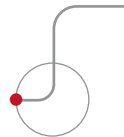
For sales with quality assurance terms, if the quality assurance provides a separate service to the customer other than ensuring that the goods or services sold meet the established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Group will account for the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

If the contract contains a significant financing component, the Group determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when “control” of the goods or services is obtained by the customer. The difference between the transaction price and the contract consideration shall be amortised within the contract period using effective interest rate. If the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Group needs not to consider the significant financing component.

The Group determines whether it is a principal or an agent at the time of the transaction based on whether it owns the “control” of 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 good or service before that good or service is 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 according to the established commission amount or proportion.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

25 Revenue *(continued)*

(1) Accounting policy for recognition and measurement of revenue from contracts with customers according to business type *(continued)*

For a change in the scope or price of a contract that is approved by the parties to the contract, the Group accounts for the contract modification according to the following situations:

- (i) The addition of promised goods or services are distinct and the price of the contract increases by an amount of consideration reflects stand-alone selling prices of the additional promised goods or services, the Group shall account for a contract modification as a separate contract;
- (ii) If the above criteria are not met, and the remaining goods or services are distinct from the goods or services transferred on the date of the contract modification, the Group accounts for the contract modification as if it were a termination of the existing contract and the creation of a new contract;
- (iii) If the above criteria are not met, and the remaining goods or services are not distinct from the goods or services transferred on the date of the contract modification, the Group accounts for the contract modification as if it were a part of the existing contract. The effect that the contract modification has on the revenue is recognised as an adjustment to revenue in the reporting period.

When the Group collects amounts of sold goods or services in advance from the customer, the Group will firstly recognise the amounts as a liability and then transfer to revenue until satisfying relevant performance obligations.

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 V. 11. 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 refer to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

Contract assets and contract liabilities under the same contract are presented at net amount.

Except for the income arising from contracts with customers, income of the Group includes interest income and lease income from daily operating activities. Relevant accounting policies are detailed in Note V. 11 and 28.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

26 Contract costs

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

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract that it would not have incurred if the contract had not been obtained, e.g. an incremental sales commission. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

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

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

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the "assets related to contract costs") are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less
- (ii) the costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

27 Deferred tax assets/Deferred tax liabilities

The income tax expenses include current income tax and deferred tax. Except for that (1) goodwill arising from the business combination or (2) the current income tax and deferred income tax related to transactions or events recognised in other comprehensive income or shareholders' equity are included in other comprehensive income or shareholders' equity, other current income tax and deferred income tax expenses or gains are included in profit or loss for the period.

(1) Current income tax

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

(2) Deferred tax assets/deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

A deferred tax liability is recognised for all taxable temporary differences, except:

- Where taxable temporary differences arise from the initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, it affects neither accounting profit nor taxable profit or loss;
- For taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, carry forward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of deductible tax losses and tax credits can be utilised, except:

- Where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, neither affects the accounting profit nor taxable profit or loss;
- Deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred tax asset is 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 in the future.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

27 Deferred tax assets/Deferred tax liabilities *(continued)*

(2) Deferred tax assets/deferred tax liabilities *(continued)*

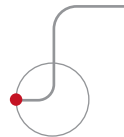
Deferred tax is not recognised for temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss).

At the balance sheet date, deferred income tax assets and liabilities are measured, subject the tax laws, at the applicable rate in the period in which deferred tax assets or liabilities are expected to be realised or settled, and the tax effects arising from the expected reversal of assets or liabilities are reflected at the balance sheet date.

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. Unrecognised deferred tax assets are reassessed at the balance sheet date and are recognised 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.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

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



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28 Leases

As the judgement basis and accounting treatment method for the lessee to simplify short-term lease and low value asset lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

(1) As a lessee

(a) Allocation

For a contract that contains one or more lease component and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

(b) Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of use asset is initially measured at cost. This cost includes:

- The initial measurement amount of the lease liabilities;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Group; and
- An estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, excluding the costs that are incurred to produce inventories.

After the commencement date of the lease, the carrying amount of right-of-use assets shall be adjusted when lease liability is remeasured.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28 Leases *(continued)*

As the judgement basis and accounting treatment method for the lessee to simplify short-term lease and low value asset lease *(continued)*

(1) As a lessee *(continued)*

(b) Right-of-use assets

The Group makes depreciation for the right-of-use assets in accordance with the relevant depreciation regulations under the Accounting Standards for Business Enterprises No. 4-Fixed Assets. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

For the method of testing the impairment of the right-of-use asset and the method of determining impairment provision, please refer to Note V. 20 for details.

(c) Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payment refers to the amount paid by the Group to the lessor relating to the right to use an underlying asset during the lease term, including:

- Fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- Variable lease payments depending on the index or ratio;
- The exercise price of a purchase option reasonably certain to be exercised by the Group;
- Payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate; and
- Amounts expected to be paid under residual value guarantees.

The variable lease payments, depending on the index or ratio, are determined at the initial measurement based on the index or proportion at the beginning of the lease term. The variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss or related asset costs when incurred.



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28 Leases *(continued)*

As the judgement basis and accounting treatment method for the lessee to simplify short-term lease and low value asset lease *(continued)*

(1) As a lessee *(continued)*

(c) Lease liabilities *(continued)*

After the commencement date of the lease term, the Group calculates the interest expense of the lease liabilities for each period of the lease term based on a fixed periodic interest rate, and includes it in profit and loss or related asset costs.

After the commencement date of the lease term, the Group re-measures the lease liabilities and adjusts the corresponding right-of-use asset in the following circumstances. If the book value of the right-of-use asset has been reduced to zero, while the lease liabilities still need to be further reduced, the difference shall be included in the profit and loss:

- The Group re-measures the lease liabilities based on the present value of the post-change lease payments and the revised discount rate as a result of changes in the lease term or changes in the purchase option;
- The Group re-measures the lease liabilities based on the present value of the changed lease payments and the original discount rate, based on the amount of the amount payable or the index or proportion used to determine the lease payments. If the change in lease payments comes from changes in floating interest rates, the revised discount rate shall be adopted to calculate the present value.

(d) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to short-term leases of housing and buildings, machinery and equipment, motor vehicles, office equipment and other equipment and leases of low-value assets. Short-term leases are leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. A lease of low value asset refers to a single lease asset, when new, is of low value.

Lease payments on short-term leases and leases of low-value assets are recognised in profit or loss or the cost of underlying assets on a straight-line basis over the lease term.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28 Leases *(continued)*

As the judgement basis and accounting treatment method for the lessee to simplify short-term lease and low value asset lease *(continued)*

(1) As a lessee *(continued)*

(e) Lease modifications

The Group accounts for a lease modification as a separate lease if there is a lease modification and both of the following apply:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

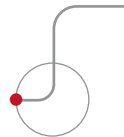
For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

If the scope of the lease is narrowed or the lease term is shortened as a result of the lease modification, the Group reduces the carrying amount of the right-of-use assets accordingly, and record the relevant gains or losses of partial or complete termination of the lease into the current profit and loss. In case of remeasurement of lease liabilities due to other lease modifications, the Group adjusts the carrying amount of the right-of-use assets accordingly.

(2) Sales and lease back

The Group acts as the seller and lessee

The Group determines whether the asset transfer in the sale and leaseback transaction is a sale in accordance with Note V. 25. If the transfer of assets is not a sale, the Group continues to recognise the transferred assets and recognises a financial liability equal to the transfer income, and accounts for the financial liabilities in accordance with Note V. 11. Where the transfer of assets belongs to sales, the Group measures the right-of-use assets formed by the sale and leaseback based on the portion of the original asset's book value that is related to the use rights obtained from the leaseback, and only recognises the relevant gains or loss of the rights to transfer to the lessor.



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28 Leases *(continued)*

Lease classification standard and accounting treatment method as lessor

(1) As a lessor

(a) Allocation

Where the contract includes both the lease and non-lease components, the Group apportions the contract consideration according to the provisions of Note V. 25 on the transaction price sharing. The basis of the apportionment is the individual selling price of the leased part and the non-lease part.

(b) Classification of lease

A lease that has substantially transferred almost all the risks and rewards related to the ownership of the leased asset is a financial lease. Leases other than finance leases are operating leases.

(i) *The Group records the operating lease business as a lessor*

During each period of the lease term, the Group uses the straight-line method to recognise the lease payments from operating leases as rental income. The initial direct costs incurred by the Group in relation to the operating leases are capitalised at the time of the acquisition, and are recognised in profit or loss.

(ii) *The Group records the finance leasing business as a lessor*

The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28 Leases *(continued)*

Lease classification standard and accounting treatment method as lessor *(continued)*

(1) **As a lessor** *(continued)*

(b) **Classification of lease** *(continued)*

(ii) **The Group records the finance leasing business as a lessor** *(continued)*

The amount of the lease receivable refers to the amount that the Group should collect from the lessee for the purpose of transferring the leased assets during the lease term, including:

- The fixed payment amount and the substantial fixed payment amount to be paid by the lessee, if there is a lease incentive, the amount related to the lease incentive is deducted;
- Variable lease payments depending on the index or ratio;
- The exercise price of the purchase option, provided that it is reasonably determined that the lessee will exercise the option;
- The lessee exercises the amount to be paid for the termination of the lease option, provided that the lease period reflects the lessee's exercise of the option to terminate the lease;
- The residual value of the guarantee provided by the lessee, the party concerned with the lessee and the independent third party with the financial ability to perform the guarantee obligation.

The Group calculates and recognises interest income for each period of the lease term based on a fixed periodic interest rate.



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28 Leases *(continued)*

Lease classification standard and accounting treatment method as lessor *(continued)*

(1) As a lessor *(continued)*

(c) Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

If the finance lease changes and meets the following conditions, the Group will account for the change as a separate lease:

- The modification expands the scope of the lease by increasing the right to use one or more leased assets;
- The increased consideration is equal to the individual price of the expanded portion of the lease, as adjusted by the contractual situation.

If the modification of the finance lease is not treated as a separate lease, the Group will deal with the lease modification in the following cases:

- If the lease is classified as an operating lease when the change becomes effective on the lease start date, the Group begins accounting as a new lease from the effective date of the lease change and uses the net lease investment before the effective date of the lease change as the book value of the leased asset;
- If the change is effective on the lease start date and the lease is classified as a finance lease, the Group performs accounting treatment in accordance with the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments" provisions for the modification or re-arrangement of contracts.

(2) Sales and leaseback

The Group acts as the buyer and lessor

If the asset transfer in the sale and leaseback transaction is not a sale, the Group does not recognise the transferred asset, but recognises a financial asset equal to the transfer income and performs accounting treatment on the financial asset in accordance with Note V. 11. If the asset transfer belongs to sales, the Group will account for the asset purchase according to other applicable accounting standards and conduct accounting treatment for the asset lease.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

29. Other Significant accounting policies and accounting estimates

1. Other significant accounting policies

(1) Profit distribution

The proposed dividend distribution after balance sheet date will not be included in liabilities on balance sheet date, and will be disclosed individually in notes.

(2) Production safety expenses

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, 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 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.

(3) Debt restructuring

Recording debt restructuring obligation as a creditor

When a debt is settled by assets in a debt restructuring, the assets other than the transferred financial assets are initially recognised and measured at cost, including other costs such as the fair value of abandoned creditor's rights and taxes directly attributable to the asset. The difference between the fair value and the carrying amount of the abandoned creditor's right is included in the current profit or loss.

Where debt restructuring is carried out by modifying other terms, the Group recognises and measures the debt restructuring in accordance with the accounting policies described in Note V. 11.

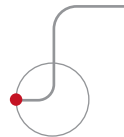
(4) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the state and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

29 Other Significant accounting policies and accounting estimates *(continued)*

2. Significant accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions, which will affect the presented amounts of revenue, cost, assets and liabilities and the disclosure of contingent liabilities on balance sheet date. However, the uncertainty of assumptions and estimates may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

The following is key assumption and uncertainty in accounting estimates at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

(1) Credit loss allowance for receivables and contract assets

Except for that the Group recognises credit loss for receivables and contract assets that are individually significant or have credit impaired on an individually basis, the Group determines the expected credit loss of receivables and contract assets on a collectively basis using a provision matrix. For receivables and contract assets whose credit loss are determined individually, the Group determines the credit loss by estimating the expected cash flows based on reasonable and evidenced information available on the balance sheet date with forward-looking information taken into consideration. For receivables and contract assets other than the above, the Group, based on the historical collection condition, determines the proportion of corresponding loss provision for each type of receivables and contract assets with similar credit risk characteristics on a portfolio basis. The provision matrix is based on the Group's historical credit loss experience and is based on reasonable and evidence-based forward-looking information that is available without undue cost or effort. As at 31 December 2023, the Group has reassessed the historical actual credit loss rate and considered changes in forward-looking information.

(2) Impairment of goodwill

For goodwill arising from business combination, the Group tests it for impairment at the year end. Impairment test requires an estimate of the recoverable amount of the relevant asset group containing goodwill, that is, the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. In determining the present value of the future cash flows of the relevant asset group or the fair value of such asset group under equity method, the Group needs to properly determine the expected growth rate of future cash flow prediction of related asset group, the gross profit margin, the investment income proportion of long-term assets, average growth rate and reasonable discount rate, etc. When the market conditions change, the recoverable amount of the relevant asset group may differ from the existing estimates, which will affect the profit and loss for the period. Relevant details of impairment of goodwill are set out in Note VII. 24.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

29 Other Significant accounting policies and accounting estimates *(continued)*

2. Significant accounting estimates and judgements *(continued)*

(3) Depreciation and amortisation of investment properties, fixed assets and intangible assets

Investment properties, fixed assets and intangible assets with a definite life are depreciated and amortised in their useful lives respectively by the Group after considering residual values. The Group reviews useful life of assets periodically so as to determine the amounts for depreciation and amortisation in each reporting period. The useful life of assets is determined on the basis of previous experiences and estimated technology upgrading. If prior estimates change significantly, make adjustment to depreciation and amortisation expenses.

(4) Supplementary pension benefits and other supplementary benefits plan liabilities

The Group has recognised supplementary pension benefits and other supplementary benefits plan as liabilities. The estimated amounts of such benefits expenses and liabilities are calculated on the basis of various assumption conditions, including discount rate, growth rate of related benefits and others. The difference between actual results and actuarial assumption may affect the accuracy of accounting estimations. The changes in above assumptions will affect amount of liabilities for supplementary pension benefits and other supplementary benefits plan liabilities, even though the management considers the assumptions are reasonable.

(5) Provision for impairment of inventories

The Group determines the write-down for obsolescence and slow movement of inventories. These estimates are made with reference to aged inventory analyses, projections of expected future salability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable values. Due to changes in market conditions, actual salability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(6) Deferred tax assets

Besides the exceptions that have been illustrated in the Note V. 27, deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

29 Other Significant accounting policies and accounting estimates *(continued)*

2. Significant accounting estimates and judgements *(continued)*

(7) Long-term assets impairment (excluding goodwill)

The Group determines if there is any indication showing impairment in long-term assets other than goodwill on balance sheet date. If there is any indication that it is unlikely to recover the carrying amount, the Group will make impairment assessment. Where the carrying amount of assets or assets group is higher than recoverable amount, namely the higher of net amount of fair value less disposal expense, and the present value of future estimated cash flow, the Group determines that impairment exists. The management must make estimation on future cash flow of such assets or assets group, and select reasonable discount rate to determine the present value of future cash flow.

(8) Warranties for product quality

Based on the recent experience in product maintenance, the Group will estimate the provisions for aftersales quality maintenance commitment provided to customers for the sale, maintenance and transformation of locomotives, vehicles and spare parts. As the recent maintenance experience may not reflect the maintenance situation of the sold products in the future, the management's judgments are required to estimate the provisions. Any increase or decrease in the provision would affect profit or loss in future years.

30 Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

In 2023, the Group has adopted the revised accounting requirements and guidance under CASs newly issued by the Ministry of Finance ("MOF").

(a) CAS 25 Insurance Contracts (Caikuai [2020] No.20) (the "New Insurance Standard") and the related implementation Q&As

The New Insurance Standard has replaced CAS 25 *Direct Insurance Contracts* and CAS 26 *Reinsurance Contracts* that were issued in 2006, and *Accounting Requirements for Insurance Contracts* (Caikuai [2009] No.15) that was issued in 2009.

The Group does not have transactions related to insurance contracts. Applying the New Insurance Standard does not have a material impact on the financial position or financial performance of the Group.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

30 Changes in significant accounting policies and accounting estimates *(continued)*

(1) Changes in significant accounting policies *(continued)*

- (b) **“The accounting treatment of deferred tax related to assets and liabilities arising from a single transaction excluded from the scope of the initial recognition exemption” in CAS Bulletin No.16 (Caikuai [2022] No.31) (“CAS Bulletin No.16”)**

According to the provisions, the Group does not apply the initial recognition exemption under CAS 18 *Income Taxes* to temporary differences arising from the initial recognition of assets or liabilities in a single transaction that is not a business combination, affects neither accounting profits nor taxable profit (or deductible losses) and gives rise to equal taxable and deductible temporary differences, such as leases. When such transactions occur, the Group recognises the corresponding deferred tax liabilities for the new taxable temporary differences arising from the initial recognition of the transaction in accordance with relevant provisions in CAS 18 *Income Tax*.

In addition, the Group has sufficient deductible temporary differences, for which deferred tax assets have not yet been recognised, in the future periods when the aforementioned new taxable temporary differences are expected to reverse. Therefore, the Group has recognised additional deferred tax assets at the equal amount to the new deferred tax liabilities. The additional deferred tax assets and liabilities meet the conditions for offsetting and are presented on a net basis in the balance sheet. As a result of the net presentation, applying the above provisions does not have a material impact on the financial position or financial performance of the Group.

VI. TAXES

1 Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
VAT	Output VAT is calculated by applying applicable rate to the taxable income, less deductible input VAT of the current year.	6 – 13%
City maintenance and construction tax	Computed by value added tax payable	5 – 7%
Enterprise income tax	Computed by taxable income	25%



VI. TAXES (continued)

2 Tax incentive

(1) VAT

According to The Notice of the MoF and the State Administration of Taxation on the Policy of Value Added Tax on Software Products (Cai Shui [2011] No. 100), the part of the actual tax burden of VAT exceeding 3% was levied and refunded upon collection, when CRRC Information Technology, CRRC Qiqihar Group, CRRC Sifang Institute and CRRC Dalian Institute, CRRC Zhuzhou Institute, CRRC Zhuzhou Locomotive and its holding subsidiaries sell their self-developed and self-produced software products in 2023.

According to the Announcement on the Policy of VAT Addition and Deduction for Advanced Manufacturing Enterprises (Announcement No. 43 of 2023 issued by the Ministry of Finance and the State Administration of Taxation), from January 1, 2023 to December 31, 2027, some subsidiaries of the Group, as advanced manufacturing enterprises, will deduct the VAT payable by adding 5% of the current deductible input tax.

(2) Enterprise income tax

As approved by relevant Provincial Department of Science and Technology, Provincial Department of Finance, Provincial Office of the State Administration of Taxation, and Provincial Local Taxation Bureau, CRRC Industrial Institute and CRRC Nanjing Puzhen obtained high-tech enterprise certificate in 2021, and is subject to an enterprise income tax at a reduced rate of 15% from 2021 to 2023.

As approved by relevant Municipal Department of Science and Technology, Municipal Department of Finance, Municipal Office of the State Administration of Taxation, and Municipal Local Taxation Bureau, CRRC Dalian obtained high-tech enterprise certificate in 2021, and is subject to an enterprise income tax at a reduced rate of 15% from 2021 to 2023.

As approved by Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and Beijing Local Taxation Bureau, CRRC Information Technology obtained high-tech enterprise certificate in 2023, and is subject to an enterprise income tax at a reduced rate of 15% from 2023 to 2025.

As approved by relevant Provincial Department of Science and Technology, Provincial Department of Finance, Provincial Office of the State Administration of Taxation, and Provincial Local Taxation Bureau, CRRC Changchun, CRRC Zhuzhou Institute, CRRC Zhuzhou Locomotive, CRRC Qishuyan, CRRC Yongji Moto, CRRC Zhuzhou Moto and CRRC Datong obtained high-tech enterprise certificate in 2023, and are subject to an enterprise income tax at a reduced rate of 15% from 2023 to 2025. CRRC Tangshan and CRRC Qishuyan Institute obtained the high-tech enterprise certificate in 2020, and paid the corporate income tax at a reduced rate of 15% from 2020 to 2022. At the end of 2023, CRRC Tangshan was listed in the third batch of high-tech enterprises registered by the accreditation authority of Hebei Province in 2023, and CRRC Qishuyan Institute was listed in the second batch of high-tech enterprises registered by the accreditation authority of Jiangsu Province in 2023, The above companies are expected to pay corporate income tax at a reduced preferential tax rate of 15% in 2023.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VI. TAXES (continued)

2 Tax incentive (continued)

(2) Enterprise income tax (continued)

As approved by relevant Municipal Department of Science and Technology, Municipal Department of Finance, Municipal Office of the State Administration of Taxation, and Municipal Local Taxation Bureau, CRRC Sifang Institute obtained high-tech enterprise certificate in 2023, and are subject to an enterprise income tax at a reduced rate of 15% from 2023 to 2025, and CRRC Dalian Institute obtained high-tech enterprise certificate in 2020, and are subject to an enterprise income tax at a reduced rate of 15% from 2020 to 2022. At the end of 2023, in the first batch of high-tech enterprises registered and publicized by the accreditation body of Dalian, where CRRC Dalian Institute is located, in 2023, the above companies are expected to still pay corporate income tax at a preferential rate of 15% in 2023.

According to the Notice on Issues Concerning Relevant Tax Policies in Deepening the Implementation of the Western Development Strategy issued by the MoF, the General Administration of Customs and the State Administration of Taxation (Cai Shui [2011] No. 58), for the period from 1 January 2021 to 31 December 2030, the enterprise income tax imposed upon any enterprise established in western regions and included among the encouraged industries shall be collected at the reduced rate of 15%. As approved by the Sichuan Provincial Office of the State Administration of Taxation, CRRC Ziyang is subject to an enterprise income tax at a reduced rate of 15% since its primary business is included among the encouraged industries.

According to the PRC Enterprise Income Tax Law and its implementing regulations, as well as the Notice of the MoF and the State Administration of Taxation on Extending the Period for Carryover of Losses of High-tech Enterprises and Small and Medium-sized Technological Enterprises (Cai Shui [2018] No.76), the enterprises with the qualification of high-tech enterprises or small and medium-sized technological enterprises (hereinafter referred to as "qualification") in 2018, are allowed to carry forward the losses occurred from 2013 to 2017 that have not yet been covered to subsequent years, regardless of whether they are the enterprises with the qualification from 2013 to 2017. The maximum carry-over period is 10 years. Enterprises that are qualified from the year after 2018 carry forward losses to offset tax on the same basis. A number of companies under the Group, as high-tech enterprises, will carry forward the deductible losses for 10 years since 2018 according to the provisions.

According to the Notice of MoF and SAT on Further Improvements to the Policy of Weighted Pre-tax Deduction for R&D Expenses (Cai Shui [2023] No. 7), since 1 January 2023, for some subsidiaries of the Group, the R&D expenses, which do not form intangible assets and are included in the current P/L, can be deducted in accordance with provisions, with 100% of the actual amount deducted before tax additionally. If intangible assets are formed, 200% of R&D expenses can be deducted before tax during the aforementioned period with the aim of motivating R&D activities.

According to the Inland Revenue (Amendment) (No. 2) Ordinance 2016 of the Government of the Hong Kong Special Administrative Region of the PRC ("the Amendment"), CRRC Hong Kong Capital Management is a qualified enterprise treasury center, therefore, the taxable profit from the business types specified in the Amendment (such as certain types of fund lending business, financial asset investment business, etc.) is subject to a preferential tax rate of 8.25%, and the statutory tax rate of 16.5% is still applicable to enterprise business.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

1 Cash and bank balances

RMB'000

Item	Closing balance	Opening balance
Cash on hand	1,015	932
Bank deposits	54,983,674	53,868,821
Other cash and bank balances	945,144	992,086
Total	55,929,833	54,861,839
Including: Total amount deposited overseas	5,467,298	3,317,824

Other descriptions:

Restricted funds of the Group:

RMB'000

Item	Closing balance	Opening balance
Statutory reserve deposited by CRRC Finance at central bank	1,747,985	1,517,836
Guarantee deposits for acceptances	641,802	622,370
Guarantee deposits for letter of credit	20,559	37,416
Guarantee deposits for letter of guarantee	113,994	194,558
Pledge of bank borrowings for the Group	–	1,836
Other deposits subject to restrictions	170,269	167,295
Total	2,694,609	2,541,311

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Cash and bank balances (continued)

As at 31 December 2023, the term deposits that have not been pledged or restricted for use for three months or over three months is RMB7,168,199,000 (as at 31 December 2022: RMB4,712,962,000).

2. Held-for-trading financial assets

Item	Closing balance	Opening balance	RMB'000
			Rationale and basis for designation
Investments in equity instruments	3,834,853	3,204,616	/
Derivatives	2,541	6,798	/
Others (Note)	5,095,334	7,219,678	/
Total	8,932,728	10,431,092	/

Other descriptions:

Note Others are mainly short-term floating income wealth certificate of deposits purchased by the Group.

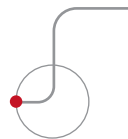
3. Bills receivable

(1) Category of bills receivable

Item	Closing balance	Opening balance	RMB'000
Bank acceptances	1,337,169	2,009,285	
Commercial acceptances	10,525,991	17,599,888	
Less: Credit loss allowance	(19,254)	(29,586)	
Total	11,843,906	19,579,587	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

3 Bills receivable (continued)

(2) Bills receivable pledged at the end of the year

RMB'000

Item	Pledged amount at the end of the period
Bank acceptances	58,368
Commercial acceptances	4,292
Total	62,660

(3) Bills receivable endorsed or discounted but not matured at the balance sheet date

RMB'000

Item	Amount not derecognised at the end of the period
Bank acceptances	646,355
Commercial acceptances	2,370,176
Total	3,016,531

(4) Analysis of bill receivable by categories based on method of provision for credit loss allowance

RMB'000

Category	Closing balance					Opening balance				
	Book value		Credit loss allowance		Carrying amount	Book value		Credit loss allowance		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Provision on portfolio basis	11,863,160	100.0	(19,254)	0.16	11,843,906	19,609,173	100.0	(29,586)	0.15	19,579,587
Total	11,863,160	100.0	(19,254)	/	11,843,906	19,609,173	100.0	(29,586)	/	19,579,587

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

3 Bills receivable (continued)

(4) Analysis of bill receivable by categories based on method of provision for credit loss allowance (continued)

Provision on portfolio basis:

RMB'000

Item	Bill receivable	Closing balance Credit loss allowance	Proportion (%)
Bank acceptances	1,337,169	–	0.0
Commercial acceptances	10,525,991	(19,254)	0.1-2.0
Total	11,863,160	(19,254)	/

Provision on ECL basis:

RMB'000

Credit loss allowance	Lifetime ECL (Non-credit impaired)	Total
Balance at 1 January 2023	29,586	29,586
Provision	19,093	19,093
Reversal	(29,425)	(29,425)
Balance at 31 December 2023	19,254	19,254

Other descriptions:

As at 31 December 2023, bills receivable due from related parties are set out in Note XIV.5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4 Accounts receivable *(continued)*

(1). Aging analysis of accounts receivable

RMB'000

Ageing	Closing book value	Opening book value
Within 1 year	94,221,825	79,686,838
1 – 2 years	8,666,945	7,939,643
2 – 3 years	3,645,018	1,547,684
3 – 4 years	832,952	1,139,872
4 – 5 years	980,253	678,959
Over 5 years	2,883,918	2,504,223
Sub-total	111,230,911	93,497,219
Less: Credit loss allowance	(5,525,084)	(4,510,182)
Total	105,705,827	88,987,037

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

4 Accounts receivable (continued)

(2) Analysis of accounts receivable by categories based on method of provision for credit loss allowance (continued)

- (i) Analysis of accounts receivable for which credit loss allowance is provided on an individual basis:

RMB'000

Item	Book value	Closing balance		Reason for provision
		Credit loss allowance	Proportion (%)	
Account receivable with individual provision for bad debts	4,526,798	(3,087,057)	68.2	Note

Description of accounts receivable for which credit loss allowance is provided on an individual basis:

Note: The Group considered the reasonable and evidenced information (including forward-looking information) available in relation to the counterparty, assessed the expected credit losses and accrued loss allowance.

- (ii) Analysis of accounts receivable for which credit loss allowance is provided on a portfolio basis:

Provision on portfolio basis:

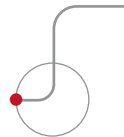
RMB'000

Ageing	Expected credit loss rate (%)	Closing balance		Carrying amount at 31 December 2023
		Book value at 31 December 2023	Credit loss allowance	
Within 1 year	0.1-2.0	92,629,710	(658,728)	91,970,982
1 – 2 years	1.0-10.0	8,550,313	(439,200)	8,111,113
2 – 3 years	5.0-25.0	3,474,007	(368,130)	3,105,877
3 – 4 years	20.0-30.0	725,860	(197,034)	528,826
4 – 5 years	35.0-50.0	561,916	(234,579)	327,337
Over 5 years	60.0-70.0	762,307	(540,356)	221,951
Total	/	106,704,113	(2,438,027)	104,266,086

If credit loss allowance is made based on the general model of expected credit loss, please refer to disclosures of other receivables:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4 Accounts receivable *(continued)*

(2) Analysis of accounts receivable by categories based on method of provision for credit loss allowance *(continued)*

RMB'000

Credit loss allowance	Lifetime ECL (Non-credit impaired)	Lifetime ECL (Credit impaired)	Total
At 1 January 2023	1,846,203	2,663,979	4,510,182
Provision	746,742	551,371	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

5 Contract assets

(1) Details of contract assets:

RMB'000

Item	Closing balance			Opening balance		
	Book value	Credit loss allowance	Carrying amount	Book value	Credit loss allowance	Carrying amount
Sale of goods related	50,038,763	(528,640)	49,510,123	45,551,602	(477,669)	45,073,933
Engineering business related	11,861,781	(129,706)	11,732,075	4,098,163	(26,871)	4,071,292
Sub-total	61,900,544	(658,346)	61,242,198	49,649,765	(504,540)	49,145,225
Less: Contract assets presented under other non-current assets	/	/	(27,652,063)	/	/	(23,996,712)
Total	/	/	33,590,135	/	/	25,148,513

Note 1: For the sales of goods provided by the Group, it is agreed in the contract that the Group shall pay separately at different phases according to the proportion. The Group recognises revenue at the time of acceptance and delivery of goods, and the right to receive consideration that does not meet the unconditional right to receive payment is recognised as contract assets and presented under contract assets/other non-current assets according to the liquidity.

Note 2: Revenue from project engineering services provided by the Group shall be recognised based on the performance progress, and the contract consideration shall be collected after the customer completes the acceptance check and work settlement. The difference between the revenue recognised based on the performance progress and such consideration shall be recognised as contract assets and presented under contract assets/other non-current assets according to the liquidity.

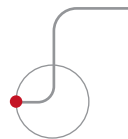
Warranty provisions from project engineering services provided by the Group and customer settlement, the Group has the unconditional right to collect consideration from customers after the expiration of the warranty period without material quality problems. Therefore, the contract assets formed from this part of the warranty provisions should be recognised as receivable after the end of the quality guarantee period without material quality problems.

As at 31 December 2023, the carrying amount of the Group's contract assets used for pledging amounted to RMB533,276,000 (as at December 31, 2022: contract assets with a carrying amount of RMB567,992,000 were used as pledges for the Group's acquisition of bank loans)

As at 31 December 2023, details of current account balances with related parties included in the balance of contract assets are set out in Note XIV. 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

5 Contract assets (continued)

(2) Analysis of contract assets by categories based on method of provision for credit loss allowance

RMB'000

Category	Closing balance					Opening balance				
	Book value		Credit loss allowance		Carrying amount	Book value		Credit loss allowance		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Provision on individual basis	180,555	0.3	(79,894)	44.2	100,661	179,473	0.4	(79,743)	44.4	99,730
Provision on portfolio basis	61,719,989	99.7	(578,452)	0.9	61,141,537	49,470,292	99.6	(424,797)	0.9	49,045,495
Total	61,900,544	100.0	(658,346)	/	61,242,198	49,649,765	100.0	(504,540)	/	49,145,225

(i) Analysis of contract assets for which credit loss allowance is provided on an individual basis:

RMB'000

Item	Closing balance			Reason for provision
	Book value	Credit loss allowance	Proportion (%)	
Contract assets with individual provision for bad debts	180,555	(79,894)	44.2	Note

Description of contract assets for which credit loss allowance is provided on an individual basis:

Note: The Group considered the reasonable and evidenced information (including forward-looking information) available in relation to the counterparty, assessed the expected credit losses and accrued loss allowance.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

5 Contract assets *(continued)*

(2) Analysis of contract assets by categories based on method of provision for credit loss allowance *(continued)*

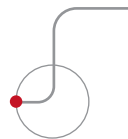
- (ii) Analysis of contract assets for which credit loss allowance is provided on a portfolio basis:

Provision on portfolio basis:

RMB'000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6 Receivables at FVTOCI

(1) Category of bills receivables at FVTOCI

RMB'000

Item	Closing balance	Opening balance
Bills receivable	8,874,246	5,311,061
Accounts receivable	2,623,853	1,424,514
Total	11,498,099	6,735,575

(2) Bills receivable pledged at the end of the period:

RMB'000

Item	Closing balance
Bank acceptances	147,068
Total	147,068

(3) Bills receivable endorsed or discounted but not matured at the balance sheet date:

RMB'000

Item	Closing balance
Bank acceptances	9,223,121
Commercial acceptances	111,032
Total	9,334,153



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6 Receivables at FVTOCI *(continued)*

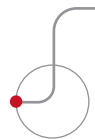
(4) Analysis of accounts receivable by categories based on method of provision for credit loss allowance

RMB'000

Category	Closing balance				Carrying amount	Opening balance				Carrying amount
	Book value		Credit loss allowance			Book value		Credit loss allowance		
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6 Receivables at FVTOCI *(continued)*

(5) Changes in receivables at FVTOCI and fair value movements during the period

RMB'000

Item	Closing balance
Cost	11,735,442
Fair value	11,498,099
Fair value changes accumulated included in other comprehensive income	(237,343)

(6) Other descriptions

As at 31 December 2023, amounts due from related parties of the Group are set out in Note XIV. 5.

7 Prepayments

(1) Prepayments presented by aging

RMB'000

Ageing	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	6,639,192	82.0	6,206,853	81.8
1 – 2 years	339,124	4.2	232,770	3.1
2 – 3 years	220,048	2.7	286,325	3.8
Over 3 years	899,119	11.1	859,981	11.3
Total	8,097,483	100.0	7,585,929	100.0



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7 Prepayments *(continued)*

(2) Details of prepayments with Top five closing balance

RMB'000

Entity name	Relationship with the Group	Closing balance	Proportion to total prepayments (%)
Top 5 prepayments	Third party	1,249,664	15.43

(3) As at 31 December 2023, prepayments made to related parties of the Group are set out in Note XIV. 5.

8 Other receivables

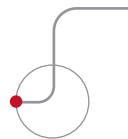
Presentation by categories

RMB'000

Item	Closing balance	Opening balance
Interest receivable	–	–
Dividends receivable	467,319	61,813
Other receivables	1,765,216	2,812,696
Total	2,232,535	2,874,509

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8 Other receivables *(continued)*

Presentation by categories *(continued)*

(1) Dividends receivable

RMB'000

Item (or investee)	Closing balance	Opening balance
Related party	470,294	64,265
Third party	–	523
Sub-total	470,294	64,788
Less: Credit loss allowance	(2,975)	(2,975)
Total	467,319	61,813

(2) Analysis by aging

RMB'000

Ageing	Closing book value	Opening book value
Within 1 year	1,306,671	2,207,167
1 – 2 years	237,146	223,823
2 – 3 years	151,911	488,355
3 – 4 years	323,463	80,793
4 – 5 years	41,277	422,552
Over 5 years	776,372	540,802
Sub-total	2,836,840	3,963,492
Less: Credit loss allowance	(1,071,624)	(1,150,796)
Total	1,765,216	2,812,696

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

8 Other receivables (continued)

Presentation by categories (continued)

(3) Categorised by nature:

RMB'000

Nature	Closing book value	Opening book value
Advances paid for others	709,344	830,591
Deposits and securities	598,078	554,265
Others	457,794	1,427,840
Total	1,765,216	2,812,696

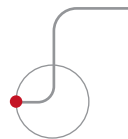
(4) Details of provision for credit loss allowance

RMB'000

Credit loss allowance	Phase 1 12-month ECL	Phase 2 Lifetime ECL (Non-credit impaired)	Phase 3 Lifetime ECL (Credit impaired)	Total
Balance at 1 January 2023	88,950	–	1,061,846	1,150,796
Provision	35,679	–	127,474	163,153
Reversal	(16,808)	–	(23,993)	(40,801)
Write-off	(37)	–	(200,549)	(200,586)
Other changes	(2,975)	–	2,037	(938)
Balance at 31 December 2023	104,809	–	966,815	1,071,624

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

8 Other receivables (continued)

Presentation by categories (continued)

(5) Details of other receivables from debtors with Top 5 closing balance

RMB'000

Company name	Nature	Closing balance	Proportion to total closing balance of other receivables (%)
Top 5 other receivables	Related party/Third party	842,701	29.71

9 Inventories

(1) Category of inventories

RMB'000

Item	Closing balance			Opening balance		
	Book value	contract with a customer	Carrying amount	Book value	contract with a customer	Carrying amount
Raw materials	19,039,344	(733,385)	18,305,959	17,967,608	(721,655)	17,245,953
Work in progress	33,429,955	(1,149,440)	32,280,515	30,695,724	(1,181,603)	29,514,121
Finished goods	16,495,640	(553,470)	15,942,170	16,547,321	(496,079)	16,051,242
Turnover materials	267,680	(15,153)	252,527	275,236	(20,616)	254,620
Commissioned processing materials	67,586	(17)	67,569	70,096	(17)	70,079
Total	69,300,205	(2,451,465)	66,848,740	65,555,985	(2,419,970)	63,136,015



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

9 Inventories *(continued)*

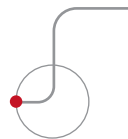
(2) Provision for impairment of inventories and costs to fulfil a contract with a customer

Item	Opening balance	Increases			Reversal	Decreases		Closing balance
		Provision	Others	Others		Write-off	Others	
Raw materials	721,655	140,681	7,999					

RMB'000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

11 Other current assets

RMB'000

Item	Closing balance	Opening balance
Withholding VAT	4,084,048	3,307,608
Large deposit certificate	1,143,475	1,360,157
Others	43,429	352,912
Total	5,270,952	5,020,677

12 Loans and advances to customers

RMB'000

Item	Closing balance	Opening balance
Loans and advances made by CRRC Finance	2,095,416	2,295,004
Less: Credit loss allowance	(10,491)	(14,022)
Sub-total	2,084,925	2,280,982
Including: Loans and advances due within one year (Note VII. 10)	2,084,925	2,280,982

Credit loss allowance	Phase 1 12-month ECL	Phase 2 Lifetime ECL (Non-credit impaired)	Phase 3 Lifetime ECL (Credit impaired)	Total
Balance at 1 January 2023	4,265	9,757	–	14,022
Provision	4,514	5,905	–	10,419
Reversal	(4,255)	(9,695)	–	(13,950)
Balance at 31 December 2023	4,524	5,967	–	10,491



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

13 Debt investments

(1) Details of debt investments

RMB'000¹³ Closing balance

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

14 Long-term receivables

(1) Details of long-term receivables:

RMB'000

Item	Closing balance			Opening balance			Discount rate interval
	Book value	Credit loss allowance	Carrying amount	Book value	Credit loss allowance	Carrying amount	
Financing lease	2,065,744	(1,498,970)	566,774	10,694,258	(2,005,126)	8,689,132	3.6%-12.7%
Sales by instalments and others	7,125,496	(250,357)	6,875,139	5,975,078	(367,201)	5,607,877	1.2%-4.9%
Construction payment and Built-transfer receivables	470,262	(336,000)	134,262	726,626	(280,840)	445,786	4.75%
Total	9,661,502	(2,085,327)	7,576,175	17,395,962	(2,653,167)	14,742,795	/
Less: Long-term receivables due within one year (Note VII. 10)	/	/	(851,994)	/	/	(3,399,606)	/
Long-term receivables due after one year	/	/	6,724,181	/	/	11,343,189	/

(2) Analysis of Long-term receivables by categories based on method of provision for credit loss allowance

RMB'000

Category	Closing balance				Carrying amount	Opening balance				
	Book value		Credit loss allowance			Book value		Credit loss allowance		
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Provision on individual basis	9,661,502	100.0	(2,085,327)	21.6	7,576,175	17,395,962	100.0	(2,653,167)	15.3	14,742,795
Total	9,661,502	100.0	(2,085,327)	/	7,576,175	17,395,962	100.0	(2,653,167)	/	14,742,795

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

14 Long-term receivables (continued)

(2) Analysis of Long-term receivables by categories based on method of provision for credit loss allowance (continued)

Analysis of Long-term receivables for which credit loss allowance is provided on an individual basis:

Item	Book value	Closing balance		Reason for provision
		Credit loss allowance	Proportion (%)	
Long-term receivable 1	3,602,532	(3,603)	0.1	Note
Long-term receivable 2	1,718,794	(26,233)	1.5	Note
Long-term receivable 3	1,156,282	(2,652)	0.2	Note
Others	3,183,894	(2,052,839)	64.5	Note
Total	9,661,502	(2,085,327)	21.6	/

Description of contract assets for which credit loss allowance is provided on an individual basis:

Note: The Group considered the reasonable and evidenced information (including forward-looking information) available in relation to the counterparty, assessed the expected credit losses and accrued loss allowance.

(3) Provision for credit loss allowance:

RMB'000

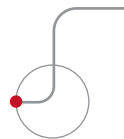
Credit loss allowance	Phase 2 Lifetime ECL (Non-credit impaired)	Stage 3 Lifetime ECL (Credit impaired)	Total
At 1 January 2023	795,950	1,857,217	2,653,167
Provision	74,406	256,014	330,447
Reversal	(33,324)	(166,113)	(199,437)
Write-off	–	(348,054)	(348,054)
Other changes	(343,184)	(7,612)	(350,796)
At 31 December 2023	493,848	1,591,479	2,085,327

As at 31 December 2023, the Group has no long-term receivables (31 December 2022: RMB2,909,683,000) as pledge for the Group to obtain bank loans.

As at 31 December 2023, long-term receivables (inclusive of the portion due within one year) due from related parties of the Group are set out in Note XIV. 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

15 Long-term equity investments

RMB'000

Investee	Opening balance	Increasing investment	Decreasing investment	Changes during the period					Closing balance	
				Investment gains or losses under equity method	Adjustment of other comprehensive income	Other equity movements	Announcement of cash dividends or profits	Provision for impairment loss		Others
I. Joint ventures										
Wuhu Yunda Rail Transit Construction And Operation Co., Ltd. ("Wuhu Yunda")	1,557,383	-	-	(5,770)	-	-	-	-	-	1,551,613
Others	2,569,880	160,940	(104,030)	60,116	4	875	(148,595)	-	36,943	2,576,133
Sub-total	4,127,263	160,940	(104,030)	54,346	4	875	(148,595)	-	36,943	4,127,746
II. Associates										
China United Insurance Holding Company ("China United Insurance")	5,358,666	-	-	11,265	13,801	310	(10,000)	-	-	5,374,042
China Foreign Trade Finance Lease	-	3,301,347	-	-	-	-	-	-	-	3,301,347
CRRC Times Electric Vehicle Co., Ltd.	1,102,704	-	-	(301,093)	-	-	-	-	-	801,611
Jinan-Qingdao High-speed Railway Co., Ltd.	1,144,618	-	-	(10,536)	-	-	-	-	-	1,134,082
Others	6,527,503	500,128	(148,400)	344,579	(3,936)	(22,816)	(595,487)	-	38,383	6,639,954
Sub-total	14,133,491	3,801,475	(148,400)	44,215	9,865	(22,506)	(605,487)	-	38,383	17,251,036
Total	18,260,754	3,962,415	(252,430)	98,561	9,869	(21,631)	(754,082)	-	75,326	21,378,782

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

16 Investments in other equity instruments

(1) Details of investments in other equity instruments:

RMB'000

Item	Opening balance	Increasing investment	Decreasing investment	Changes during the period		Others	Closing balance	Dividend income recognized during the year	Accumulated gains included in other comprehensive income	Accumulated losses included in other comprehensive income	Reason for derecognition
				Gains included in other comprehensive income during the year	Losses included in other comprehensive income during the year						
Listed equity instrument investments	996,284	-	59,562	52,977	83,721	1,668	907,646	31,259	52,941	(980,068)	/
Unlisted equity instrument investments	1,695,943	230,000	9,297	20,056	36,158	-	1,900,544	35,802	87,024	(23,060)	Note
Total	2,692,227	230,000	68,859	73,033	119,879	1,668	2,808,190	67,061	139,965	(1,003,128)	/

(2) Investments derecognised during the year

RMB'000

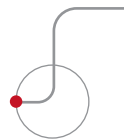
Item	Accumulated gains transferred to retained earnings due to derecognition	Accumulated losses transferred to retained earnings due to derecognition	Reason for derecognition
Listed equity instrument investments	-	438	disposal
Unlisted equity instruments	-	11,020	disposal
Total	-	11,458	-

Other descriptions:

Note: The unlisted equity instrument investments of the Group are investments planned to be held for the long term for the strategic purpose of the Group. Therefore, the above investments are designated as financial assets at FVTOCI by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

17 Other non-current financial assets

RMB'000

Item	Closing balance	Opening balance
Financial assets investments: such as perpetual bond	219,564	215,903
Total	219,564	215,903

18 Investment properties

Measurement models of investment properties

(1) Investment properties measured using a cost model

RMB'000

Item	Buildings	Land use rights	Total
I. COST			
1. Opening balance	1,098,428	124,774	1,223,202
2. Increases	104,107	9,642	113,749
(1) Transfer from fixed assets (Note VII. 19)	103,209	–	103,209
(2) Transfer from construction in progress (Note VII. 20)	898	–	898
(3) Transfer from Intangible assets (Note VII. 22)	–	9,642	9,642
3. Decreases	44,079	12,208	56,287
(1) Transfer to fixed assets (Note VII. 19)	44,079	–	44,079
(2) Transfer to Intangible assets (Note VII. 22)	–	12,208	12,208
4. Closing balance	1,158,456	122,208	1,280,664
II. Accumulated depreciation and amortisation			
1. Opening balance	370,078	31,337	401,415
2. Increases	59,000	4,826	63,826
(1) Provision or amortisation	24,663	2,424	27,087
(2) Transfer from fixed assets (Note VII. 19)	34,337	–	34,337
(3) Transfer from Intangible assets (Note VII. 22)	–	2,402	2,402
3. Decreases	15,834	2,774	18,608
(1) Transfer to fixed assets (Note VII. 19)	15,834	–	15,834
(2) Transfer to Intangible assets (Note VII. 22)	–	2,774	2,774
4. Closing balance	413,244	33,389	446,633
III. Provision for impairment			
1. Opening balance	12,029	–	12,029
2. Decrease	187	–	187
(1) Transfer to fixed assets (Note VII. 19)	187	–	187
3. Closing balance	11,842	–	11,842
IV. Carrying amount			
1. Carrying amount at the end of the period	733,370	88,819	822,189
2. Carrying amount at the beginning of the period	716,321	93,437	809,758

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

19 Fixed assets

Presented by item

RMB'000

Item	Closing balance	Opening balance
Fixed assets	60,324,620	60,805,505
Disposal of fixed assets	35,281	22,616
Total	60,359,901	60,828,121

Fixed assets

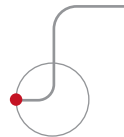
(1) Details of fixed assets:

RMB'000

Item	Land assets	Buildings	Machinery & equipment	Motor vehicles	Office equipment & other equipment	Total
1. COST						
1. Opening balance	279,486	53,590,448	55,332,134	2,798,564	7,334,111	119,334,743
2. Increases	7,361	2,110,495	3,399,515	78,090	621,488	6,216,949
(1) Additions	-	80,899	1,060,717	26,946	236,818	1,405,380
(2) Transfer from construction in progress (Note VII. 20)	-	1,933,918	2,129,785	48,206	350,633	4,462,542
(3) Increase in mergers of enterprises not under the same control	-	-	99,196	880	6,344	106,420
(4) Transfer from investment properties (Note VII. 18)	-	44,079	-	-	-	44,079
(5) Translation differences arising from translation of foreign currency financial statements	7,361	51,599	109,817	2,058	27,693	198,528
3. Decreases	4,394	423,564	1,315,105	83,281	412,399	2,238,743
(1) Disposal or retirement	4,394	225,402	1,211,925	79,184	404,711	1,925,616
(2) Disposal of subsidiaries	-	6,129	-	-	6,348	12,477
(3) Transfer to construction in progress (Note VII. 20)	-	63,882	96,153	3,962	88	164,085
(4) Transfer to investment properties (Note VII. 18)	-	103,209	-	-	-	103,209
(5) Translation differences arising from translation of foreign currency financial statements	-	24,942	7,027	135	1,252	33,356
4. Closing balance	282,453	55,277,379	57,416,544	2,793,373	7,543,200	123,312,949

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



Item	Land assets	Buildings	Machinery & equipment	Motor vehicles	Office equipment & other equipment	Total
II. Accumulated depreciation						
1. Opening balance	-	16,944,277	33,728,133	2,062,532	5,242,451	57,977,393
2. Increases	-	1,838,606	3,580,604	156,333	536,226	6,111,769
(1) Provision	-	1,806,135	3,517,475	155,771	516,191	5,995,572
(2) Transfer from investment properties (Note VII. 18)	-	15,834	-	-	-	15,834
(3) Translation differences arising from translation of foreign currency financial statements	-	16,637	63,129	562	20,035	100,363
3. Decreases	-	197,417	1,118,829	59,734	279,465	1,655,445
(1) Disposal or retirement	-	139,185	1,042,635	56,360	274,730	1,512,910
(2) Disposal of subsidiaries	-	738	-	-	4,240	4,978
(3) Transfer to construction in progress (Note VII. 20)	-	-	-	-	-	-



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

19 Fixed assets (continued)

Fixed assets (continued)

(2) Details of rent-out fixed assets under operating leases:

		RMB'000
Item		Carrying amount at the end of the period
Machinery and equipment		24,112
Motor vehicles		5,065
Office equipment and other equipment		5
Total		29,182

(3) Details of fixed assets of which property right certificates had not been obtained yet:

		RMB'000
Item	Carrying amount	Reasons for having not obtained the property right certificates
Buildings	2,143,010	In process

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19 Fixed assets *(continued)*

Disposal of fixed assets

RMB'000

Item	Closing balance	Opening balance
Buildings	16,473	8,324
Machinery and equipment	10,895	9,687
Office and other equipment	112	52
Motor vehicles	7,801	4,553
Total	35,281	22,616

Other descriptions:

As at 31 December 2023, the Group has buildings and machinery and equipment with carrying amount equivalent to RMB222,488,000 (31 December 2022: RMB228,524,000) as collateral for the Group to obtain bank loans. Except for the fixed assets used as collateral, there was no other restriction on the ownership of fixed assets as at 31 December 2023.

20 Construction in progress

Presented by item

RMB'000

Item	Closing balance	Opening balance
Construction in progress	4,518,120	4,105,330
Materials for construction of fixed assets	836	6,266
Total	4,518,956	4,111,596

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

20 Construction in progress (continued)

Construction in progress

(1) Details of construction in progress

RMB'000

Item	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amounts	Book value	Provision for impairment	Carrying amounts
Construction in progress	4,523,553	(5,433)	4,518,120	4,110,376	(5,046)	4,105,330
Total	4,523,553	(5,433)	4,518,120	4,110,376	(5,046)	4,105,330

(2) Changes in significant construction in progress for the period

RMB'000

Item	Budget	Opening balance	Increases	Transfers to fixed assets during the period	Transfer to intangible assets	Transfer to investment properties	Transfer from fixed assets	Others	Closing balance	Percentage of actual cost to budget (%)	Project progress (%)	Accumulated capitalized interest	Including: Interest capitalised in the current period	Capitalisation rate of interests (%)	Sources of funding
Construction in Progress	26,604,743	4,110,376	5,468,347	(4,462,542)	(556,802)	(898)	72,482	(107,410)	4,523,553	/	/	60,277	13,339	/	Proceeds, borrowings and self-raised

Materials for construction of fixed assets

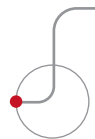
(3) Details of materials for construction of fixed assets

RMB'000

Item	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Specialised materials	18	–	18	8	–	8
Specialised equipment	818	–	818	6,258	–	6,258
Total	836	–	836	6,266	–	6,266

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

21 Right-of-use assets

RMB'000

Item	Plant & buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
I. COST					
1. Opening balance	2,289,330	207,063	81,593	18,472	2,596,458
2. Increases	983,481	140,074	36,169	41,428	1,201,152
(1) Newly rented	946,745	111,246	26,988	40,080	1,125,059
(2) Translation differences arising from translation of foreign currency financial statements	32,547	4,095	9,127	1,348	47,117
(3) Increase in mergers of enterprises not under the same control	4,189	24,733	54	–	28,976
3. Decreases	350,841	93,991	29,448	9,036	483,316
(1) Expiry of lease contract	251,347	74,801	29,448	9,036	364,632
(2) Translation differences arising from translation of foreign currency financial statements	10,336	17,986	–	–	28,322
(3) Disposal of subsidiaries	89,158	1,204	–	–	90,362
4. Closing balance	2,921,970	253,146	88,314	50,864	3,314,294
II. Accumulated depreciation					
1. Opening balance	1,061,120	24,372	51,133	17,058	1,153,683
2. Increases	520,732	68,230	19,753	32,156	640,871
(1) Provision	496,845	65,636	16,809	31,342	610,632
(2) Translation differences arising from translation of foreign currency financial statements	23,887	2,594	2,944	814	30,239
3. Decreases	253,688	76,701	21,105	9,036	360,530
(1) Expiry of lease contract	220,260	66,131	21,105	9,036	316,532
(2) Translation differences arising from translation of foreign currency financial statements	795	9,366	–	–	10,161
(3) Disposal of subsidiaries	32,633	1,204	–	–	33,837
4. Closing balance	1,328,164	15,901	49,781	40,178	1,434,024
III. Carrying amount					
1. Carrying amount at the end of the period	1,593,806	237,245	38,533	10,686	1,880,270
2. Carrying amount at the beginning of the period	1,228,210	182,691	30,460	1,414	1,442,775

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

22 Intangible assets

(1) Details of intangible assets

RMB'000

Item	Land use rights	Proprietary technology, technical know-how & franchise rights	Software licences	Customer relationship	Backlog orders & technical service preferential contracts	Total
I. COST						
1. Opening balance	16,742,040	5,189,971	4,202,549	367,144	2,170	26,503,874
2. Increases	411,098	743,634	519,984	8,925	57,000	1,740,641
(1) Transfer from construction in progress (Note VII. 20)	240,467	5,840	310,495	-	-	556,802
(2) Additions	157,308	8,327	149,976	-	-	315,611
(3) Increase in mergers of enterprises not under the same control	-	235,517	14,622	-	57,000	307,139
(4) Transfer from development expenditure (Note VII. 23)	-	453,485	29,787	-	-	483,272
(5) Transfer from investment properties (Note V. 18)	12,208	-	-	-	-	12,208
(6) Translation differences arising from translation of foreign currency financial statements	1,115	40,465	15,104	8,925	-	65,609
3. Decreases	56,656	303,777	226,266	-	-	586,699
(1) Transfer to investment properties (Note VII. 18)	9,642	-	-	-	-	9,642
(2) Disposal	46,805	303,777	222,975	-	-	573,557
(3) Translation differences arising from translation of foreign currency financial statements	209	-	65	-	-	274
(4) Disposal of subsidiaries	-	-	3,226	-	-	3,226

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

22 Intangible assets *(continued)*

(1) Details of intangible assets *(continued)*

Item	Land use rights	Proprietary technology, technical know-how & franchise rights	Software licences	Customer relationship	Backlog orders & technical service preferential contracts	Total
4. Closing balance	17,096,482	5,629,828	4,496,267	376,069	59,170	27,657,816
II. Accumulated amortisation						
1. Opening balance	3,907,888	3,142,389	2,932,622	240,763	2,170	10,225,832
2. Increases	308,450	376,335	357,441	12,929	8,143	1,063,298
(1) Provision	305,676	375,591	347,308	7,702	8,143	1,044,420
(2) Transfer from investment properties (Note VII. 18)	2,774	-	-	-	-	2,774
(3) Translation differences arising from translation of foreign currency financial statements	-	744	10,133	5,227	-	16,104
3. Decreases	7,653	297,239	224,255	-	-	529,147
(1) Disposal	5,187	297,239	222,973	-	-	525,399
(2) Transfer from investment properties (Note V. 18)	2,402	-	-	-	-	2,402
(3) Translation differences arising from translation of foreign currency financial statements	64	-	70	-	-	134
(4) Disposal of subsidiaries	-	-	1,212	-	-	1,212
4. Closing balance	4,208,685	3,221,485	3,065,808	253,692	10,313	10,759,983
III. Provision for impairment						
1. Opening balance	1,120	58,023	770	115,085	-	174,998
2. Increases	-	-	-	2,051	-	2,051
(1) Provision	-	-	-	-	-	-
(2) Translation differences arising from translation of foreign currency financial statements	-	-	-	2,051	-	2,051
3. Decreases	-	-	-	-	-	-
(1) Write-off	-	-	-	-	-	-
(2) Disposal of subsidiaries	-	-	-	-	-	-
4. Closing balance	1,120	58,023	770	117,136	-	177,049
IV. Carrying amount						
1. Carrying amount at the end of the period	12,886,677	2,350,320	1,429,689	5,241	48,857	16,720,784
2. Carrying amount at the beginning of the period	12,833,032	1,989,559	1,269,157	11,296	-	16,103,044

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

22 Intangible assets (continued)

(2) Details of land use rights of which property right certificates had not been obtained

RMB'000

Item	Carrying amount	Reasons for having not obtained the property right certificates
Project land	174,682	In progress

Other descriptions:

As at 31 December 2023, the Group has intangible assets with a carrying amount equivalent to RMB760,152,000(31 December 2022: RMB808,924,000) as collateral.

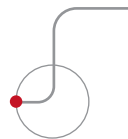
23 Development expenditures

RMB'000

Item	Balance at the beginning of the year	Increases		Decreases		Closing balance
		Internal development	Others	Recognised as intangible assets	Transfer to profit or loss	
Development expenditures	749,396	14,809,227	4,165	483,272	14,363,696	715,820

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

24 Goodwill

(1) Book value of goodwill

RMB'000

Name of investees	Opening balance	Increases	Decreases	Changes in foreign exchange rates	Closing balance
CRRC Zhuzhou Locomotive and its subsidiaries	56,934	–	–	–	56,934
CRRC Tangshan and its subsidiaries	36,379	–	–	–	36,379
CRRC Zhuzhou Institute and its subsidiaries	1,225,964	31,134	–	79,635	1,336,733
Other	13,849	–	–	–	13,849
Total	1,333,126	31,134	–	79,635	1,443,895

(2) Provision for impairment losses of goodwill

RMB'000

Name of investees	Opening balance	Increases	decreases	Changes in foreign exchange rates	Closing balance
CRRC Zhuzhou Locomotive and its subsidiaries	20,156	–	–	–	20,156
CRRC Zhuzhou Institute and its subsidiaries(note)	1,051,231	–	–	65,102	1,116,333
Total	1,071,387	–	–	65,102	1,136,489

Note: In 2019, Zhuzhou Times New Materials, a subsidiary of CRRC Zhuzhou Law Firm, made a full provision for the impairment of the goodwill of BOGE in Germany.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25 Deferred tax assets/Deferred tax liabilities

(1) Deferred tax assets before offsetting

RMB'000

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Expected warranty provisions	8,675,690	1,301,354	8,333,194	1,249,979
Provision for impairment of assets	2,137,201	406,068	2,161,625	399,148
Provision for credit losses	4,010,569	611,287	3,729,324	648,485
Unrealised profit from internal transactions	2,499,434	455,147	1,768,204	300,595
Estimated losses	196,984	31,813	636,717	97,911
Government grants	2,300,281	345,042	2,154,978	332,750
Accrued expenses	1,925,031	308,005	1,463,747	264,339
Unpaid employee salaries	405,546	62,860	369,408	59,144
Deductible tax losses	6,073,377	958,846	5,445,828	918,063
Changes in fair value of investments in other equity instruments	644,024	121,720	564,633	101,690
Changes in fair value of receivables at FVTOCI	187,880	31,940	138,005	24,194
Lease liabilities	1,279,506	224,057	1,096,357	199,771
Others	1,563,480	281,427	1,560,529	281,218
Total	31,899,003	5,139,566	29,422,549	4,877,287

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

25 Deferred tax assets/Deferred tax liabilities (continued)

(2) Deferred tax liabilities before offsetting

RMB'000

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Adjustment on fair value of acquisition of subsidiaries	291,228	55,333	223,018	42,373
Depreciation difference due to inconsistency of depreciation period between tax law and accounting	3,740,802	617,232	4,421,741	751,696
Changes in fair value of investments in other equity instruments	114,721	19,503	355,803	62,266
Gains on changes in fair value during the holding period of the financial assets at fair value through profit or loss	725,092	181,273	682,220	170,555
Right-of-use assets	1,244,544	217,935	1,080,063	197,214
Others	3,873,372	748,719	1,895,874	322,238
Total	9,989,759	1,839,995	8,658,719	1,546,342

(3) Deferred tax assets/liabilities after offsetting

RMB'000

Item	Amount of offsetting of deferred tax assets and liabilities at the end of the period	Balances of deferred tax assets or liabilities after offsetting at the end of the period	Amount of offsetting of deferred tax assets and liabilities at the beginning of the period	
			Balances of deferred tax assets or liabilities after offsetting at the beginning of the period	Balances of deferred tax assets or liabilities after offsetting at the beginning of the period
Deferred tax assets	1,268,093	3,871,473	1,246,483	3,630,804
Deferred tax liabilities	1,268,093	571,902	1,246,483	299,859



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

25 Deferred tax assets/Deferred tax liabilities (continued)

(4) Details of unrecognised deferred tax assets

RMB'000

Item	Closing balance	Opening balance
Deductible temporary differences	12,236,165	12,313,251
Deductible tax losses	17,517,744	19,331,268
Total	29,753,909	31,644,519

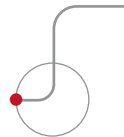
(5) Deductible tax losses, for which no deferred tax assets were recognised, will expire in the following years

RMB'000

Year	Closing balance	Opening balance
2023	–	3,575,487
2024	1,905,020	2,132,876
2025	1,690,112	1,747,644
2026	1,992,606	2,051,995
2027	2,979,753	3,024,433
2028	2,143,594	905,489
2029	1,112,957	1,136,623
2030	841,524	868,221
2031	1,026,844	1,041,857
2032	2,597,424	2,846,643
2033	1,227,910	–
Total	17,517,744	19,331,268

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

26 Other non-current assets

RMB'000

Item	Closing balance	Opening balance
Contract assets (Note VII. 5)	27,652,063	23,996,712
Prepayment of intangible assets	678,544	705,988
Prepayments of engineering equipment	1,450,788	498,177
Large deposit certificate	4,644,969	3,943,346
Others	2,032,161	1,914,900
Sub-total	36,458,525	31,059,123
Less: Other non-current assets due within one year (Note VII.10)	1,430,397	339,089
Total	35,028,128	30,720,034

As at 31 December 2023, prepayments made to related parties of the Group in the balance of other non-current assets are set out in Note XIV. 5.

27 Assets with restrictive ownership title or right of use

RMB'000

Item	Closing balance				Opening balance			
	Carrying amount	Carrying value	Reason for restriction	Notes for restriction	Carrying amount	Carrying value	Reason for restriction	Notes for restriction
Cash and bank balances	2,694,609	2,694,609	Other	Note VII.1	2,541,311	2,541,311	Other	Note VII.1
Bills receivable	3,088,023	3,079,191	Other	Note VII.3	10,470,985	10,458,987	Other	Note VII.3
Accounts receivable	71,640	71,595	Pledge	Note VII.4	858,994	857,247	Pledge	Note VII.4
Receivables at FVTOCI	147,068	147,068	Other	Note VII.6	27,816	27,816	Other	Note VII.6
Long-term receivables	-	-		Note VII.14	2,974,929	2,909,683	Pledge	Note VII.14
Contract assets (including current and non-current components)	553,830	553,276	Pledge	Note VII.5	568,561	567,992	Pledge	Note VII.5
Fixed assets	275,399	222,488	collateral	Note VII.19	272,761	228,524	collateral	Note VII.19
Intangible assets	861,544	760,152	collateral	Note VII.22	873,272	808,924	collateral	Note VII.22
Total	7,692,113	7,528,379	/	/	18,588,629	18,400,484	/	/

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

28 Short-term borrowings

Category of short-term borrowings

RMB'000

Item	Closing balance	Opening balance
Pledged loans	631,073	2,125,703
Credit loans	7,498,783	11,502,027
Total	8,129,856	13,627,730

Description of short-term borrowings classification:

As at 31 December 2023, the annual interest rate of short-term borrowings ranged from 0.12%-5.91% (31 December 2022: 0.12%-9.57%).

As at 31 December 2023, short-term borrowings from related parties of the Group are set out in Note XIV. 4.

29 Bills payable

(1) Details of bills payable:

RMB'000

Category	Closing balance	Opening balance
Commercial acceptance bills	1,233,025	1,505,074
Bank acceptance bills	25,603,306	26,186,229
Total	26,836,331	27,691,303

30 Account payable

(1) Details of accounts payable

RMB'000

Item	Closing balance	Opening balance
Related parties	7,738,039	6,173,252
Third parties	146,295,689	124,784,451
Total	154,033,728	130,957,703

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 Account payable (continued)

(2) Ageing analysis of accounts payable

Item	RMB'000	
	Closing balance	Opening balance
Within 1 year	145,412,694	123,670,940
1-2 year	4,644,954	3,449,524
2-3 year	1,655,690	1,362,084
over 3 years	2,320,390	2,475,155
Total	154,033,728	130,957,703

Other descriptions:

The ageing of accounts payable of the Group is classified based on the invoicing date.

As at 31 December 2023, details of accounts payable due to related parties are set out in Note XIV. 5.

31 Receipts in advance

(1) Details of receipts in advance:

Item	RMB'000	
	Closing balance	Opening balance
Related parties	2,167	2,010
Third parties	9,528	12,057
Total	11,695	14,067

Other descriptions:

As at 31 December 2023, details of receipts payable due to related parties are set out in Note XIV. 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

32 Contract liabilities

Details of contract liabilities

Item	RMB'000	
	Closing balance	Opening balance
Sale of goods related (Note 1)	22,211,301	22,866,914
Project contracting services related (Note 2)	966,859	874,991
Sub-total	23,178,160	23,741,905
Less: Contract liabilities presented under other non-current liabilities (Note V. 46)	(1,315)	(9,415)
Total	23,176,845	23,732,490

Other descriptions:

Note 1: As at 31 December 2023, the acceptance and transfer of certain sales of goods of the Group was later than the customer's payment, generating contract liabilities related to the contract on sales of goods.

Note 2: As at 31 December 2023, the Group's contract liabilities related to the project contracting service contracts represented the excess of the settled amount over revenue recognised based on the progress of construction.

As at 31 December 2023, details of current account balances with related parties included in the balance of contract liabilities are set out in Note XIV. 5.

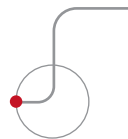
33 Deposits from banks and other financial institutions

Item	RMB'000	
	31 December 2023	31 December 2022
customer deposits of CRRC Finance	5,816,950	3,153,979
Total	5,816,950	3,153,979

As at 31 December 2023, details of deposits from banks and other financial institutions with related parties are set out in Note XIV.5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

34 Employee benefits payable

(1) Details of employee benefits payable

				RMB'000
Item	Opening balance	Increases	Decreases	Closing balance
I. Short-term employee benefits	1,857,972	31,422,172	31,449,469	1,830,675
II. Post-employment benefits-Defined contribution plan	256,962	4,248,621	4,445,506	60,077
III. Labour expenditures	1,898	1,464,003	1,463,495	2,406
IV. Post-employment benefits due within one year-Net liabilities in defined benefit plan (Chinese Mainland)	166,861	114,670	139,212	142,319
V. Post-employment benefits due within one year-Net liabilities in defined benefit plan (other countries and regions)	5,877	28,758	18,728	15,907
Total	2,289,570	37,278,224	37,516,410	2,051,384

2) Presentation of short-term benefits

				RMB'000
Item	Opening balance	Increases	Decreases	Closing balance
I. Salaries, bonuses, allowances and subsidies	460,198	23,841,452	23,800,037	501,613
II. Welfare benefits	418,683	1,656,294	1,657,044	417,933
III. Social insurances	124,693	2,059,892	2,078,274	106,311
Including: Medical insurance	114,238	1,845,195	1,856,989	102,444
Work-related injury insurance	10,672	170,853	177,410	4,115
Maternity insurance	(217)	43,844	43,875	(248)
IV. Housing funds				

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

34 Employee benefits payable (continued)

(3) Details of defined contribution plan

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
1. Basic pension insurance	221,085	3,147,338	3,326,587	41,836
2. Unemployment insurance	8,269	122,429	128,884	1,814
3. Enterprise annuity	27,608	978,854	990,035	16,427
Total	256,962	4,248,621	4,445,506	60,077

Other descriptions:

Employees of the Group are required to participate in defined contribution schemes which are administered and operated by the local municipal government. The Group contributes funds which are calculated on certain percentage as agreed by the local municipal government to the scheme. The Group's contributions to the defined contribution plan, including the social pension insurance schemes and the annuity plan, are recognised as expenses when incurred. As at 31 December 2023 and 31 December 2022, there are no forfeited contributions that may be used by the Group to reduce the existing level of contribution (as at 31 December 2022 and 31 December 2021: nil).

35 Tax payable

RMB'000

Item	Closing balance	Opening balance
VAT	1,544,833	1,721,921
Enterprise income tax	949,824	707,485
Individual income tax	363,481	302,798
City maintenance and construction tax	90,992	101,859
Education surcharges	68,690	74,335
Property tax	47,499	52,140
Land use tax	23,367	25,800
Others	199,415	106,732
Total	3,298,101	3,093,070

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

36 Other payables

(1) Presented by item

	RMB'000	
Item	Closing balance	Opening balance
Interests payable	–	13,593
Dividends payable	462,255	535,223
Other payables	19,780,936	13,315,356
Total	20,243,191	13,864,172

(2) Interest payable

	RMB'000	
Item	Closing balance	Opening balance
Loan interests	–	13,593
Total	–	13,593

(3) Dividends payable

	RMB'000	
Item	Closing balance	Opening balance
Related parties	125,171	94,501
Third parties	337,084	440,722
Total	462,255	535,223



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

36 Other payables *(continued)*

(4) Other payable

Details of other payables by nature are as follows:

Item	RMB'000	
	Closing balance	Opening balance
Borrowings from CRRC Group	10,050,690	3,133,880
Collections on behalf of other parties	3,351,506	2,909,110
Payments for equipment and projects	1,584,766	1,626,940
Deposits and securities, housing fund, and public facilities maintenance funds	1,165,137	1,520,002
Technology royalties and research expenditures	487,915	497,675
Utilities, repair and transportation expenses	274,988	304,587
Others	2,865,934	3,323,162
Total	19,780,936	13,315,356

Other descriptions:

As at 31 December 2023, details of other payables due to related parties are set out in Note XIV. 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

37 Non-current liabilities due within one year

RMB'000

Item	Closing balance	Opening balance
Long-term borrowings due within one year (Note VII. 39)	835,822	801,245
Bonds payable due within one year (Note VII. 40)	–	2,570,537
Long-term payables due within one year (Note VII. 42)	39,783	39,063
Lease liabilities due within one year (Note VII. 41)	458,358	382,440
Provisions due within one year (Note VII. 44)	2,918,572	2,679,276
Other non-current liabilities due within one year (Note VII. 46)	136	520
Total	4,252,671	6,473,081

Other descriptions:

As at 31 December 2023, details of current account balances with related parties included in the balance of non-current liabilities due within one year are set out in Note XIV. 5.

38 Other current liabilities

Details of other current liabilities:

RMB'000

Item	Closing balance	Opening balance
Output VAT tax to be transferred and received VAT in advance	2,445,225	2,466,039
Total	2,445,225	2,466,039

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

38 Other current liabilities (continued)

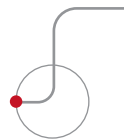
The movements of short-term debentures payable:

RMB'000

Name of bonds	Par value	Issuing date	Maturity period	Issuance amount	Opening balance	Issuance during the period	Accrued interests at par value	Amortisation of premium or discounts	Current period	Closing balance
CRRC's Phase VIII Super short-term financing bills in 2023	100 per piece	26/10/2023	56	3,000,000	-	3,000,000	10,080	-	(3,010,080)	-
CRRC's Phase VII Super short-term financing bills in 2023	100 per piece	09/10/2023	79	3,000,000	-	3,000,000	13,311	-	(3,013,311)	-
CRRC's Phase VI Super short-term financing bills in 2023	100 per piece	01/09/2023	60	3,000,000	-	3,000,000	10,110	-	(3,010,110)	-
CRRC's Phase V Super short-term financing bills in 2023	100 per piece	01/09/2023	60	3,000,000	-	3,000,000	10,110	-	(3,010,110)	-
CRRC's Phase IV Super short-term financing bills in 2023	100 per piece	16/06/2023	92	2,000,000	-	2,000,000	9,729	-	(2,009,729)	-
CRRC's Phase III Super short-term financing bills in 2023	100 per piece	16/06/2023	30	2,000,000	-	2,000,000	3,173	-	(2,003,173)	-
CRRC's Phase II Super short-term financing bills in 2023	100 per piece	30/03/2023	270	3,000,000	-	3,000,000	49,488	-	(3,049,488)	-
CRRC's Phase I Super short-term financing bills in 2023	100 per piece	14/02/2023	90	4,000,000	-	4,000,000	20,121	-	(4,020,121)	-
Total	/	/	/	23,000,000	-	23,000,000	126,122	-	(23,126,122)	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

39 Long-term borrowings

Long-term borrowings by category

RMB'000

Item	Closing balance	Opening balance
Credit loans	2,523,977	1,783,915
Pledged loans	5,144,698	4,937,867
Mortgage loans	152,007	175,585
Total	7,820,682	6,897,367
Less: Long-term borrowings due within one year	(835,822)	(801,245)
Including: Credit loans	(596,166)	(81,195)
Pledged loans	(157,466)	(688,033)
Mortgage loans	(82,190)	(32,017)
Long-term borrowings due after one year	6,984,860	6,096,122
Including: Credit loans	1,927,811	1,702,720
Pledged loans	4,987,232	4,249,834
Mortgage loans	69,817	143,568

Other descriptions including range of interest rates:

Analysis of long-term borrowings due after one year is as follows:

RMB'000

Subsequent to the balance sheet date	Closing balance	Opening balance
1-2 years	1,617,289	1,796,648
2-5 years	647,625	1,449,807
Over 5 years	4,719,946	2,849,667
Total	6,984,860	6,096,122

As at 31 December 2023, the annual interest rate of long-term borrowings ranged from 0.12% to 12.53% (31 December 2022: 0.20%-12.54%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

40 Bonds payable

(1) Bonds payable

RMB'000

Item	Closing balance	Opening balance
Corporate bonds	–	2,570,537
Less: Bonds payable due within one year (Note VII. 37)	–	(2,570,537)
Bonds payable due after one year	–	–
Total	–	–

(2) Movements of bonds payable (excluding other financial instruments classified as financial liabilities, such as preference shares and perpetual bonds):

RMB'000

Name of bonds	Par value	Issuing date	Maturity period	Issuance amount	Opening balance	Issuance during the period	Accrued interests at par value	Amortisation of premium or discounts	Current period	Closing balance
CSR 2013 Corporate Bonds (Phase I) (Ten-year Term)	100 per piece	2013-04-22	10 years	1,500,000	1,548,312	–	26,688	–	(1,575,000)	–
CRRC 2020 Phase I Corporate Bonds	100 per piece	2020-04-01	3 years	1,000,000	1,022,225	–	7,275	–	(1,029,500)	–
Total	/	/	/	2,500,000	2,570,537	–	33,963	–	(2,604,500)	–
Less: Bonds payable due within one year (Note VII.37)	/	/	/	/	(2,570,537)	/	/	/	/	–
Bonds payable due after one year	/	/	/	/	–	/	/	/	/	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

41 Lease liabilities

	RMB'000	
Item	Closing balance	Opening balance
Lease liabilities	2,003,544	1,533,295
Less: Lease liabilities included in non-current liabilities due within one year (Note VII. 37)	(458,358)	(382,440)
Total	1,545,186	1,150,855
Lease liabilities due over one year	1,545,186	1,150,855

Other descriptions:

As at 31 December 2023, the lease liability (including the one-year maturity) due to the related parties are set out in Note XIV. 5.

Analysis of lease liabilities due after one year is as follows:

	RMB'000
Subsequent to the balance sheet date:	Closing balance
1 – 2 years	416,717
2 – 5 years	771,240
Over 5 years	678,785
Total undiscounted payments	1,866,742
Less: Unrecognised finance charges	(321,556)
Lease liabilities due over one year	1,545,186



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

42 Long-term payables

Presented by item

	RMB'000	
Item	Closing balance	Opening balance
Long-term payables	249,334	79,210
Special payables	1,265	1,265
Total	250,599	80,475
Less: Presented under non-current liabilities due within one year (Note VII. 37)	(39,783)	(39,063)
Long-term payables due over one year	210,816	41,412

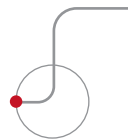
Long-term payables

(1) Details of long-term payables by nature are as follows:

	RMB'000	
Item	Closing balance	Opening balance
Purchase of fixed assets by instalment, etc.	249,334	79,210
Less: Long-term payables due within one year	(38,518)	(37,798)
Long-term payables due over one year	210,816	41,412

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

42 Long-term payables

Special payables

(1) Details of special payables by nature are as follows:

				RMB'000
Item	Opening balance	Increases	Decreases	Closing balance
Research & development of the overall solution and prototype system of embedded system of the rail transit equipment	614	–	–	614
Others	651	–	–	651
Total	1,265	–	–	1,265
Less: Special payables due within one year	(1,265)	–	–	(1,265)
Special payables due over one year	/	–	–	/

43 Long-term employee benefits payable

(1) Table of long-term employee benefits payable

		RMB'000	
Item	Closing balance	Opening balance	
I. Post-employment benefits-liabilities in defined benefit plan (Mainland China) (Note 1)	1,220,372	1,397,155	
II. Post-employment benefits-liabilities in defined benefit plan (Other countries and regions) (Note 2)	893,493	741,199	
III. Other long-term benefits	221,318	334,331	
Total	2,335,183	2,472,685	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

43 Long-term employee benefits payable(continued)

(2) Changes in defined benefit plan (Mainland China)

Present value of the defined benefit plan obligation:

Item	RMB'000	
	Current period	Prior period
I. Opening balance	1,564,016	1,623,565
II. Defined benefit cost recognised in profit or loss	408	120,155
1. Net interests	40,643	44,304
2. Cost of service in the current year	(407)	(2,550)
3. Cost of service in prior years	(39,838)	(1,385)
4. Settlement losses/(gains)	10	79,786
III. Defined benefit cost recognised in other comprehensive income	(62,521)	(13,967)
1. Actuarial gains	(62,521)	(13,967)
IV. Other changes	(139,212)	(165,737)
1. Paid benefits	(139,212)	(165,737)
V. Closing balance	1,362,691	1,564,016
Less: Post-employment benefits due within one year-liabilities in defined benefit plan (Note VII. 34)	(142,319)	(166,861)
VI. Post-employment benefits due after one year-liabilities in defined benefit plan	1,220,372	1,397,155

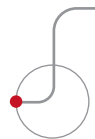
Other descriptions:

Note 1: For the Company and other domestic subsidiaries, in addition to the basic pension insurance provided by the local government departments, the Group also provides supplementary pension insurance plans and other comprehensive retirement benefit plans for employees retired before 1 July 2007. These plans include monthly living subsidies for employees after their retirement. The Group no longer provides (pays) any supplementary retirement benefits (including supplementary benefits such as retirement salaries, subsidies, medical care) for employees retired since 1 July 2007.

The Group engaged an independent actuary, Towers Watson (Shenzhen) Consulting Co., Ltd., to estimate the present value of its above retirement benefit plan obligations using the actuarial method based on the expected cumulative welfare unit method. Towers Watson (Shenzhen) Consulting Co., Ltd. is an actuarial institution with professional certification qualifications and a member of the American Academy of Actuaries. The undersigned actuary, Haichuan Wu, is member of the Society of Actuaries and China Association of Actuaries. The plan estimates future cash outflows based on inflation rate and mortality rate assumptions and determines its present value at a discount rate. The discount rate is determined based on the market yield of the national debt that matches the term and currency of the obligations of defined benefit plan on the balance sheet date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

43 Long-term employee benefits payable *(continued)*

(2) Changes in defined benefit plan (Mainland China) *(continued)*

The defined benefit plan exposes the Group to actuarial risks, including interest rate risk, longevity risk and inflation risk. A decrease in the rate of return of national debt will result in an increase in the present value of the defined benefit plan obligations. The present value of the defined benefit plan obligations is calculated based on the optimal estimate of the mortality rate of the participating employees, and an increase in the life expectancy of the plan members will result in an increase in the liabilities in the plan. In addition, the present value of the defined benefit plan obligation is related to the planned future payment standard, and the payment standard is determined based on the inflation rate. Therefore, the increase in the inflation rate will also result in an increase in the liabilities in the plan.

As at 31 December 2023, significant actuarial assumptions (discount rate and average growth rate of medical cost) used in determining present value of defined benefit plan obligations are as follows:

Item	31 December 2023 (%)	31 December 2022 (%)
Discount rate	2.50	2.75
Average growth rate of medical cost	7.00/12.00/8.00	7.00/12.00/8.00

The sensitivity analysis below is based on reasonably possible changes in the corresponding assumptions at the end of the year (all other assumptions remain unchanged):

Item	(Decrease)/ increase in liabilities recognized for defined benefit plan	Increase/ (decrease) in liabilities recognized for defined benefit plan
Discount rate (increase)/decrease by 1%	(87,900)	102,110
Average growth rate of medical cost (increase)/decrease by 1%	15,630	(13,640)

The above sensitivity analysis is an inference based on the impact of key assumptions on the net defined benefit plan when there is a reasonable change on the balance sheet date. Because some of the assumptions may be relevant and one assumption cannot be changed in isolation, the above sensitivity analysis may not necessarily reflect the actual changes in the present value of the defined benefit plan obligations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

43 Long-term employee benefits payable (continued)

(3) Changes in defined benefit plan (Other countries and regions)

Present value of the defined benefit plan obligation:

Item	RMB'000	
	Current period	Prior period
I. Opening balance	831,961	1,233,644
II. Defined benefit cost recognised in profit or loss	44,792	18,345
1. Net interests	34,288	15,222
2. Cost of service in the current year	8,974	1,215
3. Cost of service in prior years	1,530	1,908
III. Defined benefit cost recognised in other comprehensive income	141,464	(401,308)
1. Actuarial gains (Note)	93,907	(414,606)
2. Translation differences arising from translation of foreign currency financial statements	47,557	13,298
IV. Other changes	(18,730)	(18,720)
1. Paid benefits	(18,730)	(18,720)
V. Closing balance	999,487	831,961
Less: Post-employment benefits due within one year-liabilities in defined benefit plan (other countries and regions) (Note VII. 34)	(15,907)	(5,877)
VI. Post-employment benefits due after one year-liabilities in defined benefit plan (other countries and regions)	983,580	826,084

Note: The present value of the defined benefit plan obligation decreased during the year due to an increase in high quality corporate bond yields in active market.

Plan assets:

Item	RMB'000	
	Current period	Prior period
I. Opening balance	84,885	83,161
II. Additions during the year	209	–
III. Decreased during the year	(3)	(594)
IV. Translation differences arising from translation of foreign currency financial statements	4,996	2,318
IV. Closing balance	90,087	84,885

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

43 Long-term employee benefits payable *(continued)*

(3) Changes in defined benefit plan (Other countries and regions) *(continued)*

Net liabilities of defined benefit plans:

		RMB'000
Item (Note 2)	Current period	Prior period
Present value of the defined benefit plan obligation	983,580	826,084
Less: plan assets	(90,087)	(84,885)
Net liabilities in defined benefit plan	893,493	741,199

Note 2: Post-employment benefits-net liabilities in defined benefit plan (other countries or regions) are based on the liabilities recognised in the pension plan provided by the Group's subsidiary, German Rubber and Plastics Business ("Germany BOGE") and Blue Engineering Co., Ltd. and its subsidiaries ("Blue Group"), and Vossloh Locomotives GmbH and its subsidiaries ("Vossloh AG") to their employees.

The principal pension plan of Germany BOGE provides a defined benefit plan for all eligible employees in Germany. For Germany BOGE, the actuarial valuation of the present value of the defined benefit plan obligations for the most recent period (i.e. the period ended 31 December 2023) was estimated and determined by the third-party evaluation agency, Mercer Deutschland GmbH, based on the expected cumulative benefit unit method. Mercer Deutschland GmbH is an actuarial institution with professional certification qualifications in Germany and a member of the German Association of Actuaries. As at 31 December 2023, the defined benefit plan is in the net liability position of RMB0.843 billion (31 December 2022: net liability of RMB0.696 billion). According to the Pension Plan 2005 ("Rentenordnung 2005") and the Pension Plan 2004 ("Versorgungszusage 2004"), Germany BOGE provides a traditional German pension plan group, including normal and early retirement benefits and benefits for long-term disabled people and survivors of deceased employees.

Germany BOGE paid Euros to the third party escrow account, which is a restricted asset and its fair value at period-end is approximate to its book value. As at 31 December 2023, fair value of the plan asset of Germany BOGE was about RMB90,087,000 (31 December 2022: about RMB84,885,000).

As at 31 December 2023, obligations under these defined benefit plans of Germany BOGE are 9.65% (31 December 2022: 10.87%) covered by the plan assets.

No material surplus or deficiency was noted for the abovementioned plan assets.



Notes to the Consolidated Financial Statements

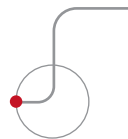
For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

43 Long-term employee benefits payable *(continued)*

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

44 Provisions

RMB'000

Item	Closing balance	Opening balance	Reason
Warranties for product quality	9,456,264	9,233,920	Agreement on after-sales service
Others	441,823	814,371	Estimated liquidated damages and onerous contracts to be executed etc.
Total	9,898,087	10,048,291	/
Less: Provisions expected to due within one year (Note VII. 37)	(2,918,572)	(2,679,276)	/
Provisions due after one year	6,979,515	7,369,015	/

45 Deferred income

Details of deferred income

RMB'000

Item	Opening balance	Increase	Decreases	Closing balance
Government grants related to assets	4,720,050	76,922	342,973	4,453,999
Government grants related to income	1,513,638	694,014	682,445	1,525,207
Total	6,233,688	770,936	1,025,418	5,979,206

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

46 Other non-current liabilities

RMB'000		
Item	Closing balance	Opening balance
Contract liabilities	1,315	9,415
Others	253,067	77,948
Less: Other non-current liabilities due within one year (Note VII. 37)	(136)	(520)
Total	254,246	86,843

47 Share capital

RMB'000				
	Opening balance	Changes during the year (+/-)		Closing balance
		Issuance of new shares	Sub-total	
Total shares	28,698,864	–	–	28,698,864
Shares without restrictions for sales				
1. RMB ordinary shares	24,327,798	–	–	24,327,798
2. Overseas listed ordinary shares	4,371,066	–	–	4,371,066

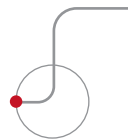
48 Capital reserve

RMB'000				
Item	Opening balance	Increase	Decrease	Closing balance
Share premium	40,482,504	–	–	40,482,504
Other capital reserves (Note)	870,774	214,900	–	1,085,674
Total	41,353,278	214,900	–	41,568,178

Note: Changes in other capital reserves were mainly due to increases or decreases in capital by non-controlling shareholders of the Company's subsidiaries and the Group's other equity changes in joint ventures and associates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

49 Special reserve

RMB'000

Item	Opening balance	Increase	Decrease	Closing balance
Safety fund	49,957	625,666	625,666	49,957

50 Other comprehensive income

RMB'000

Item	Opening balance	Before-tax amount	Amount before income tax in current period					Closing balance
			Less: Reclassification adjustments for amounts transferred to profit or loss	Less: Previously recognised amount transferred to retained earnings	Less: Income tax expense	Net-of-tax amount attributable to shareholders of the Company	Net-of-tax amount attributable to non-controlling interests	
I. Other comprehensive income that will not be reclassified to profit or loss	(902,290)	(81,414)	-	(11,458)	(4,161)	(6,840)	(70,413)	(897,672)
Including: Remeasurement of defined benefit plan	(140,551)	(34,568)	-	-	(4,387)	11,180	(41,361)	(129,371)
Changes in fair value of investments in other equity instruments	(761,739)	(46,846)	-	(11,458)	226	(18,020)	(29,052)	(768,301)
II. Items that may be reclassified to profit or loss	214,563	(253,140)	-	-	(10,638)	(216,942)	(25,560)	(2,379)
Including: Other comprehensive income recognised under equity method	(67,792)	10,041	-	-	-	10,036	5	(57,756)
Changes in fair value of other debt investments (Note)	(61,269)	(60,304)	-	-	(4,930)	(42,410)	(12,964)	(103,679)
Credit losses of other debt investments (Note)	421	(422)	-	-	-	(422)	-	(1)
Translation differences arising from translation of foreign currency financial statements	378,154	(136,217)	-	-	-	(123,616)	(12,601)	254,538
Cash flow hedge reserve	(34,951)	(66,238)	-	-	(5,708)	(60,530)	-	(95,481)
Total other comprehensive income	(687,727)	(334,554)	-	(11,458)	(14,799)	(223,782)	(95,973)	(900,051)

Note: Changes in fair value of other debt investment and credit losses of other debt investments are derived from receivables at FVTOCI.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

51 Surplus reserve

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
Statutory surplus reserve	5,491,912	827,178	–	6,319,090
Total	5,491,912	827,178	–	6,319,090

52 Retained earnings

RMB'000

Item	Current period	Prior period
Retained earnings at the beginning of the period	79,441,376	73,717,157
Add: Net profits for the period attributable to shareholders of the Company	11,711,576	11,653,448
Less: Appropriation for statutory surplus reserve	(827,178)	(647,708)
Appropriation to general risk reserve	–	(39,436)
Dividends to ordinary shares	(5,739,773)	(5,165,796)
Transfer of other comprehensive income to retained earnings	(11,458)	34
Others	(8,168)	(76,323)
Retained earnings at the end of the period	84,566,375	79,441,376

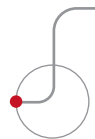
Adjustments on beginning retained earnings are as follows:

Note 1: The Company's 2022 profit distribution plan for 2022 was approved at the 2022 Annual General Meeting of Shareholders held on 15 June, 2023. Based on the total Company's share capital of 28,698,864,000 shares as at 31 December 2022, the annual dividends for 2022 were distributed to all shareholders, and a cash dividend of RMB0.20 (including tax) per share was distributed, totalling approximately RMB5,739,773,000.

Note 2: As at 31 December 2023, the balance of the Group's retained earnings included the surplus reserve already appropriated by the subsidiaries of RMB19,024,869,000 (31 December 2022: RMB17,789,746,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

53 Revenue and operating costs

(1) Details of revenue and operating costs

RMB'000

Revenue	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Principal operating activities	230,587,450	179,448,375	219,415,617	173,180,245
Other operating activities	3,674,064	2,653,029	3,523,020	2,445,532
Total	234,261,514	182,101,404	222,938,637	175,625,777

(2) Category of revenue and operating costs by business type

RMB'000

Item	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Sale of goods	182,044,180	140,571,532	175,517,151	138,051,078
Rendering of services	51,215,683	41,266,749	46,018,990	37,263,573
Sub-total	233,259,863	181,838,281	221,536,141	175,314,651
Interest income	322,156	89,794	387,323	91,543
Lease income	679,495	173,329	1,015,173	219,583
Total	234,261,514	182,101,404	222,938,637	175,625,777

(3) Disaggregation of revenue from contracts with customers

RMB'000

Rail transportation products and their extended industries	Current period	Prior period
Categorised by sales region		
Mainland China	205,565,026	197,221,763
Other countries and regions	27,694,837	24,314,378
Total	233,259,863	221,536,141

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

53 Revenue and operating costs (continued)

(4) Description on performance obligations

- (i) Revenue from sales of goods (revenue recognised at a certain time point):

The goods sold by the Group are mainly rail transit equipment and its extension products. The Group recognises revenue when the customer obtains control of the goods, i.e. at the time of acceptance and delivery of the goods.

- (ii) Revenue from rendering of services (revenue recognised within a certain period of time):

The Group's revenue from rendering of services is mainly extended services of railway transportation equipment. The Group recognises the revenue within a certain period of time according to the progress of the performance as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

54 Taxes and surcharges

RMB'000

Item	Current period	Prior period
City maintenance and construction tax	427,498	415,415
Education surcharges	318,471	303,427
Property tax	418,774	374,611
Land use tax	253,614	248,446
Vehicle and vessel use tax	1,227	1,231
Stamp duty	217,839	204,940
Others	71,081	86,616
Total	1,708,504	1,634,686

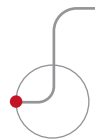
55 Selling expenses

RMB'000

Item	Current period	Prior period
Expected warranty provisions	4,035,205	3,247,157
Employee benefits	2,767,180	2,469,320
Travel expenses	343,332	235,184
Others	2,039,033	1,772,549
Total	9,184,750	7,724,210

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

56 Administrative expenses

RMB'000

Item	Current period	Prior period
Employee benefits	8,891,792	8,326,273
Depreciation of fixed assets	782,871	750,575
Amortisation of intangible assets	675,533	676,253
Others	3,608,342	3,648,534
Total	13,958,538	13,401,635

For the year ended 2023, the audit expense of RMB29,600,000 (2022: RMB29,600,000) is included in aforementioned administrative expenses.

57 Research and development expenses

RMB'000

Item	Current period	Prior period
Employee benefits	6,625,923	5,778,511
Depreciation charge	635,332	672,223
Amortisation of intangible assets	266,562	241,905
Others	6,835,879	6,437,109
Total	14,363,696	13,129,748

58 Financial expenses

RMB'000

Item	Current period	Prior period
Interest expense	1,020,997	1,036,040
Less: Capitalisation of interest	(13,339)	(34,284)
Interest expense from lease liabilities	94,549	67,450
Interest income	(1,167,824)	(986,017)
Exchange gains or losses	(244,617)	(496,865)
Handling charge of financial institutions	233,428	307,963
Actuarial interest adjustment	85,891	78,520
Others	(221,383)	(316,295)
Total	(212,298)	(343,488)



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

59 Other income

RMB'000

Item	Current period	Prior period
VAT Refund	337,755	224,832
Others	2,313,407	1,568,014
Total	2,651,162	1,792,846

60 Investment income

RMB'000

Item	Current period	Prior period
Income from long-term equity investment accounted for under equity method (Note VII. 15)	98,561	229,228
Investment income from disposal of subsidiaries	594,504	(160,937)
Investment income from disposal of associates and joint ventures	347,548	4,394
Dividend income from other equity instrument investments during the holding period	67,061	60,688
Investment income from disposal of debt investment	6,185	81,795
Investment income from disposal of held-for-trading financial assets	144,007	152,318
Derecognition loss of financial assets measured at amortized cost	(121,004)	(215,583)
Gains from disposal of residual equity of subsidiaries remeasured at fair value	–	1,750
The equity interest held by the subsidiary of the joint venture company is adjusted at fair value	35,503	–
Gains from debt restructuring	128,490	54,218
Others	(14,979)	99,058
Total	1,285,876	306,929

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

61 Gains from changes in fair value

RMB'000

Sources of gains from changes in fair value	Current period	Prior period
Financial assets held for trading	414,420	510,146
Including: Gains on fair value changes of derivative financial instruments	(7,586)	5,538
Gains from changes in fair value of investments in equity instruments	346,096	336,018
Others	75,910	168,590
Other non-current financial assets	–	12,878
Financial liabilities held for trading	(22,383)	(33,251)
Including: Gains on fair value changes of derivative financial instruments	(22,383)	(33,251)
Total	392,037	489,773

62 Impairment losses under expected credit loss model

RMB'000

Item	Current period	Prior period
Losses of credit impairment on bills receivable	(10,332)	(7,738)
Losses of credit impairment on accounts receivable	989,683	413,469
Losses of credit impairment on other receivables	122,352	(22,051)
Losses of credit impairment on receivables at FVTOCI	(80)	(18)
Losses of credit impairment on long-term receivables	131,010	52,771
Losses of credit impairment on debt investments	32,759	–
Losses of credit impairment on loans and advances	(3,531)	(126,311)
Losses of credit impairment on part of loan commitments and financial guarantee contracts	(236)	(149)
Others	–	2,185
Total	1,261,625	312,158

63 Assets impairment losses

RMB'000

Item	Current period	Prior period
Impairment losses of inventories	384,826	371,786
Impairment losses of fixed assets	23,443	53,199
Impairment losses of construction in progress	387	–
Impairment losses of long-term equity investments	–	103,350
Impairment losses of intangible assets	–	1,166
Impairment losses of contract assets	161,427	119,107
Others	36,983	(34,330)
Total	607,066	614,278

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

64 Gains on disposal of assets

RMB'000

Item	Current period	Prior period
Gains on disposal of fixed assets	199,666	1,907,483
Gains on disposal of intangible assets	208,790	643,038
Total	408,456	2,550,521

65 Non-operating income

Details of non-operating income

RMB'000

Item	Current period	Prior period	Amount recognised in non-recurring profit and loss
Liquidated damages, fines and compensation	105,370	104,498	105,370
Unpayable amount	37,797	48,582	37,797
Gains on retirement of assets	28,497	26,769	28,497
Claim income	36,972	58,463	36,972
Others	334,035	541,638	334,035
Total	542,671	779,950	542,671

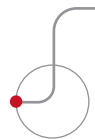
66 Non-operating expenses

RMB'000

Item	Current period	Prior period	Amount recognised in non-recurring profit and loss
Liquidated damages and penalty expenses	35,583	20,869	35,583
Relocation expenditure	6,992	446,648	6,992
Losses on retirement of assets	52,186	36,849	52,186
Donation expenses	19,757	21,659	19,757
Flood control fund	25,133	23,443	25,133
Others	55,779	90,516	55,779
Total	195,430	639,984	195,430

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

67 Income tax expenses

(1) Table of income tax expenses

Item	Current period	Prior period
Current income tax expenses	1,754,481	1,640,766
Deferred income tax expenses	48,873	126,727
Total	1,803,354	1,767,493

RMB'000

(2) Reconciliation of accounting profits and income tax expenses

Item	Current period	Prior period
Profit before tax	16,373,001	16,119,668
Income tax expenses at statutory tax rate (25%)	4,093,250	4,029,917
Effect of different tax rates applied by subsidiaries	(1,114,317)	(1,332,593)
Adjustments to income tax of previous periods	(10,582)	77,856
Effect of income free of tax	(16,765)	(15,172)
Effect of joint ventures and associates	(24,640)	(57,307)
Effect of non-deductible costs, expense and losses	268,417	192,423
Effect of using the deductible losses for which no deferred tax asset was recognised in previous periods	(399,800)	(110,241)
Effect of deductible temporary differences or deductible losses for which no deferred tax asset was recognised this period	458,786	781,535
Other tax incentives (Note)	(1,450,995)	(1,798,925)
Income tax expenses	1,803,354	1,767,493

RMB'000

Other description:

Note: Other tax incentives are mainly weighted deduction performed on technology research and development expenditures

68 Other comprehensive income

Please refer to Note VII.50.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

69 Items in the cash flow statement

(1) Cash related to operating activities

Other cash receipts relating to operating activities

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

70 Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Supplementary information	Current year	RMB'000 Prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	14,569,647	14,352,175
Add: Impairment losses	607,066	614,278
Credit losses	1,261,625	312,158
Depreciation of fixed assets and amortisation of investment properties	6,022,659	6,062,620
Depreciation of right-of-use assets	610,632	524,106
Amortisation of intangible assets	1,044,420	1,237,123
Amortisation of long-term deferred expenses	196,384	117,499
Gains from disposal of fixed assets, intangible assets, and other long-term assets	(384,767)	(2,540,441)
Gains from changes in fair value	(392,037)	(489,773)
Financial expenses	627,115	605,045
Gains arising from investment	(1,406,880)	(522,512)
Change in deferred tax assets and liabilities	48,873	126,727
(Increase) in gross inventories	(3,876,379)	(1,878,579)
Increase in operating receivables	(38,827,807)	(12,498,170)
Increase in operating payables	34,774,363	17,993,857
Changes in restricted monetary funds	(153,298)	(62,897)
Net cash flows from operating activities	14,721,616	23,953,216
2. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents	46,067,025	47,607,566
Less: Opening balance of cash and cash equivalents	47,607,566	43,277,994
Net (decrease)/increase in cash and cash equivalents	(1,540,541)	4,329,572

(2) Composition of cash and cash equivalents

Item	Closing balance	RMB'000 Opening balance
I. Cash	46,067,025	47,607,566
Including: Cash on hand	1,015	932
Bank deposits available on demand	46,066,010	47,606,634
II. Closing balance of cash and cash equivalents	46,067,025	47,607,566

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

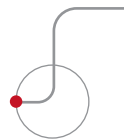
71 Foreign-currency monetary items

(1) Foreign-currency monetary items

Item	Foreign currency balance as at the end of the year	Exchange rate	Translated RMB balance as at the end of the year
RMB'000			
Cash and bank balances			
Including: USD	415,662	7.0827	2,944,006
EUR	277,025	7.8592	2,177,196
HKD	726,808	0.9062	658,647
AUD	91,652	4.8484	444,365
MXN	3,181,984	0.4181	1,330,539
Others	/	/	1,034,571
Held-for-trading financial assets			
Including: USD	216	7.0827	1,531
Accounts receivable			
Including: USD	406,455	7.0827	2,878,802
EUR	177,259	7.8592	1,393,112
HKD	366,353	0.9062	331,996
AUD	10,540	4.8484	51,102
Others	/	/	389,241
Other receivables			
Including: USD	3,218	7.0827	22,793
EUR	10,335	7.8592	81,223
HKD	42,558	0.9062	38,567
AUD	1,207	4.8484	5,854
MXN	16,396	0.4181	6,856
Others	/	/	94,723
Other non-current financial assets			
Including: USD	31,000	7.0827	219,564
Long-term receivables (including those due within one year)			
EUR	3,270	7.8592	25,702
Short-term borrowings			
Including: USD	150,689	7.0827	1,067,285
EUR	182,290	7.8592	1,432,654
HKD	712,512	0.9062	645,693
MXN	100,529	0.4181	42,036
Others	/	/	50,085

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

71 Foreign-currency monetary items (continued)

(1) Foreign-currency monetary items (continued)

Item	Foreign currency balance as at the end of the year	Exchange rate	Translated RMB balance as at the end of the year
Accounts payables			
Including: USD	182,046	7.0827	1,289,376
EUR	232,558	7.8592	1,827,720
HKD	106,825	0.9062	96,807
AUD	50,655	4.8484	245,596
Others	/	/	889,637
Other payables			
Including: USD	100,960	7.0827	715,072
EUR	45,415	7.8592	356,926
HKD	316,990	0.9062	287,263
AUD	40,369	4.8484	195,727
Others	/	/	353,043
Long-term borrowings (including those due within one year)			
Including: EUR	19,752	7.8592	155,237
MXN	7,221,599	0.4181	3,019,694
Lease liabilities (including those due within one year)			
Including: USD	7,398	7.0827	52,398
EUR	42,602	7.8592	334,818
HKD	65,116	0.9062	59,009
AUD	1,185	4.8484	5,744
MXN	28,977	0.4181	12,117
Others	/	/	45,897

(2) Notes to overseas business entity including disclosures of significant principal place of business, functional currency and basis for determining the functional currency as well as reasons for changes in functional currency for those significant overseas business entity

Name of overseas business entity	Principal place of business	Functional currency
CRRC NEW MATERIAL TECHNOLOGIES GMBH	Germany	EUR
Specialist Machine Developments	Britain	GBP



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

72 Lease

(1) As a Lessee

Lease expenses for short-term leases or low-value assets with simplified treatment for the period amounted to RMB233,870,000.

Total cash outflow related to leases RMB852,329,000.

(2) As a Lessor

Operating leases as leaser

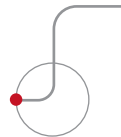
Item	Lease income	RMB'000
		Including: Income related to variable lease payments not included in lease receivable
Operating leases	265,647	–
Total	265,647	–

Financing leases as lessor

Item	Gain/loss on sales	Financing gains	RMB'000
			Income related to variable lease payments not included in net lease investment
Financing leases	–	413,848	–
Total	–	413,848	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(2) As a Lessor *(continued)*

The undiscounted lease receipts to be received after the balance sheet date are as follows

RMB'000

Item	Closing balance	Opening balance

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

IX. CHANGE IN CONSOLIDATION SCOPE

1 Disposal of subsidiaries

Entity name	Date of losing control	Consideration on the date of losing control	Shareholding		Basis for determining date of losing control	Difference between consideration received and the related share of net assets in consolidated financial statements	Proportion of remaining shareholding on the date of losing control	Carrying amount of remaining equity interests on the date of losing control in consolidated financial statements	Fair value of remaining equity interests on the date of losing control in consolidated financial statements	Gain or loss from remeasurement of remaining equity interests to fair value	Method and key assumptions for determining the fair value of remaining equity interests in consolidated financial statements	Investment income or loss/retained earnings transferred from other comprehensive income related to previous equity investments in subsidiaries
			being disposed on the date of losing control (%)	Disposal method on the date of losing control								
CRRC Financial Leasing Co., Ltd	2023-12-30	3,301,347	81%	Share swaps	CRRC Financial Leasing Co., Ltd. Signed memorandum of delivery with Foreign Trade Financial Leasing Co., Ltd. To complete the equity delivery	594,504	-	-	-	-	Not Applicable	-

Other description

In December 2023, the Company and its parent company, CRRC Group, entered into a merger agreement with Foreign Trade Financial Leasing Co., Ltd., whereby Foreign Trade Financial Leasing Co., Ltd. intends to absorb and merge CRRC Financial Leasing Co., Ltd., a holding subsidiary of the Group, that is, Foreign Trade Financial Leasing Co., Ltd. will convert the equity of CRRC Financial Leasing Company held by such shareholders by issuing additional equity to the existing shareholders of CRRC Financial Leasing Co., Ltd. After the completion of the transaction, the Group acquired 23.29663478% of the equity of Foreign Trade Financial Leasing Company by exchanging 81% of the equity of CRRC Financial Leasing Co., Ltd. for shares, and CRRC Group acquired 2.58851498% equity interest in Foreign Trade Financial Leasing by exchanging 9% equity interest in CRRC Financial Leasing Co., Ltd. for shares. On December 30, 2023, the two parties completed the equity delivery of CRRC Financial Leasing, and CRRC Financial Leasing Co., Ltd. was no longer included in the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



X. INTERESTS IN OTHER ENTITIES

1 Interests in subsidiaries

(1) Material non-wholly owned subsidiaries

RMB'000

Name of the Subsidiary	Proportion of ownership interest held by non-controlling interests (%)	Profit or loss allocated to non-controlling interests during the year	Dividend declared to non-controlling shareholders during the year	Balance of non-controlling interests at the end of the year
CRRC Times Electric	52.28	1,667,642	608,178	19,963,856
Zhuzhou Times New Material	61.48	159,119	93,781	4,101,977
CRRC Changchun Railway Vehicles Co., Ltd.	6.46	171,696	67,746	2,613,378

(2) Key financial information of significant non-wholly owned subsidiaries

RMB'000

Name of the Subsidiary	Balance at the end of the year						At the beginning of the year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
CRRC Times Electric	37,514,973	15,889,875	53,404,848	13,432,152	2,256,165	15,688,317	36,443,205	12,066,350	48,509,555	11,701,912	1,511,912	13,213,824
Zhuzhou Times New Material	12,263,535	5,966,473	18,230,008	9,147,760	2,555,317	11,703,077	11,630,524	5,626,515	17,257,039	8,354,962	2,573,530	10,928,492
CRRC Changchun Railway Vehicles Co., Ltd.	51,135,449	14,724,654	65,860,103	39,947,066	1,158,049	41,105,115	49,258,417	13,823,433	63,081,850	38,207,418	1,459,758	39,667,176

Name of the Subsidiary	2023				2022			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
CRRC Times Electric	21,798,941	3,150,094	3,111,650	2,781,886	18,033,779	2,591,973	2,582,685	2,041,235
Zhuzhou Times New Material	17,537,867	326,515	279,272	795,428	15,034,880	250,673	701,638	(655,488)
CRRC Changchun Railway Vehicles Co., Ltd.	29,310,616	2,170,662	2,202,311	1,107,035	26,017,661	1,975,752	1,984,439	1,139,267



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

X. INTERESTS IN OTHER ENTITIES *(continued)*

2 Equity in associates or joint ventures

(1) Material associates or joint ventures

Name of joint venture or associate	Principal place of business	Registered place	Nature of business	Shareholding percentage (%)		Accounting treatment of investments in joint ventures or associates
				Direct	Indirect	
China United Insurance	Beijing	Beijing	Financial industry	13.0633	–	Equity method
China Foreign Trade Financial Leasing Co., Ltd	Beijing	Beijing	Financial industry	23.2966	–	Equity method

Basis for holding less than 20% of the voting rights but having significant influence, or holding 20% or more of the voting rights but not having significant influence: The Group holds 13.0633% voting power of China United Insurance, so that the Group has the right to assign one director to the board of directors of China United Insurance, and the Group has substantive power of decision-making, participation therefore has significant influence over China United Insurance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



X. INTERESTS IN OTHER ENTITIES *(continued)*

2 Equity in associates or joint ventures *(continued)*

(2) Key financial information of significant associates

China United Insurance

RMB'000

	Balance at 31 December 2023/Amount for the current year	Balance at 31 December 2022/Amount for the prior year
China United Insurance		
Total assets	106,367,017	100,541,850
Total liabilities	85,775,155	80,122,111
Non-controlling interests	2,283,497	2,227,627
Equities attributable to shareholders of parent company	18,308,365	18,192,112
Group's share of net assets	2,391,677	2,376,301
Goodwill	2,982,365	2,982,365
Carrying amount of equity investments in associates	5,374,042	5,358,666
Operating income	65,032,636	60,554,738
Net profit	168,633	751,923
Net profit attributable to shareholders of parent company	84,781	629,413
Other comprehensive income attributable to shareholders of parent company	106,702	(181,846)
Total comprehensive income attributable to shareholders of parent company	191,483	447,567
Dividends received from associates in the current year	10,000	10,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

X. INTERESTS IN OTHER ENTITIES *(continued)*

2 Equity in associates or joint ventures *(continued)*

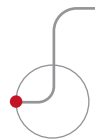
(2) Key financial information of significant associates *(continued)*

China Foreign Trade Financial Leasing Co., Ltd:

China United Insurance	Balance at 31 December 2023/Amount for the current year	Balance at 31 December 2022/Amount for the prior year
Total assets	70,164,026	–
Total liabilities	57,490,236	–
Non-controlling interests	–	–
Equities attributable to shareholders of parent company	12,673,790	–
Group's share of net assets	2,952,567	–
Goodwill	348,780	–
Carrying amount of equity investments in associates	3,301,347	–
Operating income	3,178,494	–
Net profit	1,172,172	–
Net profit attributable to shareholders of parent company	1,172,172	–
Other comprehensive income attributable to shareholders of parent company	(1,088)	–
Total comprehensive income attributable to shareholders of parent company	1,171,084	–
Dividends received from associates in the current year	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



X. INTERESTS IN OTHER ENTITIES *(continued)*

2 Equity in associates or joint ventures *(continued)*

(3) Financial information of insignificant joint ventures and associates

	RMB'000	
	Balance at 31 December 2023/Amount for the current year	Balance at 31 December 2022/Amount for the prior year
Joint ventures:		
Aggregate carrying amount of investments	4,127,746	4,127,263
Total amounts calculated based on shareholding proportions		
– Net profit	54,346	14,166
– Other comprehensive income	4	4,687
– Total comprehensive income	54,350	18,853
Associates:		
Total carrying amount of investment	8,575,647	8,774,825
Total amounts calculated based on shareholding proportions		
– Net profit	32,950	133,029
– Other comprehensive income	(3,936)	(24,826)
– Total comprehensive income	29,014	108,203

XI. GOVERNMENT SUBSIDIES

1 Liabilities involving government subsidies

The current liabilities related to government subsidies are detailed in notes VII.45.

2 Government subsidies included in current profit and loss

The government grants recognised in profit or loss for the current period are detailed in notes VII.59.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS

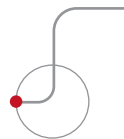
1 Risks of financial instruments

The Group's main financial instruments include cash and bank balances, held-for-trading financial assets, bills receivable, accounts receivable, receivables at FVTOCI, a part of other receivables, a part of non-current assets due within one year, a part of other current assets, loans and advances to customers, debt investments, long-term receivables, investments in other equity instruments, other non-current financial assets, other non-current assets, short-term borrowings, borrowings from central bank, deposits from banks and other financial institutions, bills payable, accounts payable, a part of employee benefits payable, other payables, a part of non-current liabilities due within one year, long-term borrowings, bonds payable, lease liabilities, a part of other long-term payables. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group adopts sensitivity analysis technique to analyse how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2 Category of financial instruments

(1) Carrying amount of financial assets

RMB'000

Item	31 December 2023				Total
	At FVTPL	At amortised cost	Classified as at FVTOCI	Designated as at FVTOCI	
Cash and bank balances	–	55,929,833	–	–	55,929,833
Held-for-trading financial assets	8,932,728	–	–	–	8,932,728
Bills receivable	–	11,843,906	–	–	11,843,906
Accounts receivable	–	105,705,827	–	–	105,705,827
Receivables at FVTOCI	–	–	11,498,099	–	11,498,099
Other receivables (Except for government grant and advance to staffs)	–	1,677,373	–	–	1,677,373
Other current assets (Large deposit certificate)	–	1,143,475	–	–	1,143,475
Loans and advances to customers (including those due within one year)	–	2,084,925	–	–	2,084,925
Debt investments (including those due within one year)	–	1,775,690	–	–	1,775,690
Long-term receivables (including those due within one year) (except for finance lease)	–	7,009,401	–	–	7,009,401
Investments in other equity instruments	–	–	–	2,808,190	2,808,190
Other non-current financial assets	219,564	–	–	–	219,564
Other non-current assets	–	4,644,969	–	–	4,644,969
Total	9,152,292	191,815,399	11,498,099	2,808,190	215,273,980

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2 Category of financial instruments *(continued)*

(2) Carrying amount of financial liabilities

RMB'000

Item	31 December 2023		Total
	Financial Liabilities at FVTPL	Financial liabilities at carrying amount	
Short-term borrowings	–	8,129,856	8,129,856
Deposits from banks and other financial institutions	–	5,816,950	5,816,950
Financial liabilities held for trading	111,529	–	111,529
Bills payable	–	26,836,331	26,836,331
Accounts payable	–	154,033,728	154,033,728
Employee benefits payable (Except for defined benefit plan)	–	1,893,158	1,893,158
Other payables	–	20,243,191	20,243,191
Lease liabilities (including those due within one year)	–	2,003,544	2,003,544
Long-term borrowings (including those due within one year)	–	7,820,682	7,820,682
Long-term payables (including those due within one year) (except for special accounts payable)	–	249,334	249,334
Total	111,529	227,026,774	227,138,303

3 Credit risk

Credit risk represents the risk that the failure to perform obligation by one party of the financial instruments will cause financial loss to the other party.

As at 31 December 2023, the Group's maximum exposure to credit risk which will cause losses of financial assets, contract assets and lease accounts receivables to the Group due to failure to discharge an obligation by the counterparties is arising from:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3 Credit risk *(continued)*

- (i) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.
- (iii) The amounts of external guarantees disclosed in Note XV. 2.

The Group only has transactions with recognised and reputable third parties. According to the Group's policies, for all the customers that require to make transactions on credit, the Group needs to review the credit of the customers and determines the manner of sales on the basis of customers' credit grading, credit line and credit period. For sales on credit, the payment period and the amount on credit need to be specified in the sales contract, with the payment period not exceeding credit period, and the accumulated amount of credit sales shall not exceed the credit line. For cash on delivery, the goods are not shipped until all the collection procedures are completed, so as to ensure the Group will not be exposed to significant credit loss.

The specific method used by the Group to assess whether the credit risk of financial instruments has increased significantly since initial recognition and the basis for determining that the financial assets are impaired, as well as the policies of immediate write-off of financial assets etc. are set out in Note V. 11.

The Group's credit risk exposure to any single financial instrument is limited because the bank deposits are deposited with banks with high credit ratings.

China State Railway Group Co., Ltd. is one of the major customers for the Group (including the China State Railway Group Co., Ltd. it belongs to and other subsidiaries, together as "State Railway Group") accounts for a larger proportion of the Group's revenue, accordingly, the accounts receivable from such customer also account for a larger proportion. The Group's management believes that the customer is of reliable and good reputation, therefore the Group has no significant credit risk in respect of the receivables from this customer. Except for this customer, the Group has no other significant concentration of credit risk.

The Group's major operating activities and corresponding concentration of operating risk are located in Mainland China.

As at 31 December 2023, included in the Group's accounts receivable, the accounts receivable from the top one and top five customers respectively account for 47.5% (31 December 2022: 41.9%) and 53.9% (31 December 2022: 50.6%);

As at 31 December 2023, included in the Group's long-term receivables (including those due within one year), the long-term receivables from top one and top five customers account for 37.3% (31 December 2022: 9.8%) and 78.3% (31 December 2022: 49.7%) respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3 Credit risk *(continued)*

(1) The credit risk exposure of the Group's financial assets and other items

RMB'000

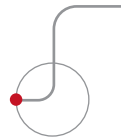
Item	Note VII	Balance at 31 December 2023			Total
		12-month ECL	Lifetime ECL (no credit loss occurred)	Lifetime ECL (Credit loss occurred)	
Financial assets measured at amortised cost					
Cash and bank balances	1	55,929,833	–	–	55,929,833
Bills receivable	3	–	11,863,160	–	11,863,160
Accounts receivable	4	–	106,704,113	4,526,798	111,230,911
Other receivables	8	1,481,465	–	1,355,375	2,836,840
Other current assets	11	1,143,475	–	–	1,143,475
Loans and advances to customers (including those due within one year)	12	1,193,490	901,926	–	2,095,416
Debt investments (including due within one year)	13	1,808,449	–	–	1,808,449
Long-term receivables (except for finance lease) (including those due within one year)	14	–	4,889,913	2,705,845	7,595,758
Financial assets classified as at FVTOCI					
Receivables at FVTOCI	6	–	11,498,099	–	11,498,099
Other items:					
Contract assets (Include non-current part)	5	–	61,719,989	180,555	61,900,544
Long-term receivables-finance lease (including those due within one year)	14	–	1,301,235	764,509	2,065,744

Note 1: For accounts receivable and contract assets formed under revenue standards as well as finance lease receivables formed under lease standards, the Group adopts simple method to measure the amount of lifetime ECL.

The movements of loss allowance for the Group's bills receivable, accounts receivable, receivables at FVTOCI, other receivables, contract assets, loans and advances to customers, debt investments and long-term receivables are detailed in Note VII3, VII4, VII6, VII8, VII5, VII12, VII13 and VII14.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

4 Liquidity risk

Liquidity risk represents the risk that the entity encounters shortage of funds when performing the obligation relating to financial liabilities. The Group's objective is to maintain the balance between the continuity and flexibility of financing by comprehensively using multiple financing measures such as settlement with notes, bank borrowing, short-term financing bonds and corporate bonds etc. and adopting proper combination of long-term and short-term financing as well as the method of optimizing financing structure. The Group has obtained bank credit from several commercial banks to meet its need of working capital and capital expenditures. The management has been monitoring the Group's liquidity so as to ensure the Group has sufficient liquidity to repay all the due debts and get maximum benefits from its financial resources.

Maturity analysis of non-derivative financial liabilities and lease liabilities based on undiscounted contract cash flows

RMB'000

Item	31 December 2023				Total
	Within 1 year (inclusive)	1-2 years (inclusive)	2-5 years (inclusive)	Over 5 years	
Short-term borrowings	8,129,856	–	–	–	8,129,856
Deposits from banks and other financial institutions	5,816,950	–	–	–	5,816,950
Bills payable	26,836,331	–	–	–	26,836,331
Accounts payable	154,033,728	–	–	–	154,033,728
Other payables	20,243,191	–	–	–	20,243,191
Long-term borrowings (including due within one year)	925,360	1,687,890	827,246	4,817,084	8,257,580
Long-term payables (including due within one year) (except for special accounts payable)	38,519	19,063	1,095	222,359	281,036
Lease liabilities (Including due within one year)	458,358	416,717	771,240	678,785	2,325,100
Total	216,482,293	2,123,670	1,599,581	5,718,228	225,923,772

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

5 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in market price. The market risk mainly includes interest rate risk, currency risk and price risk.

(1) Interest rate risk

Interest risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in market interest rate. The risk of fluctuations in the fair value of the Group's financial instruments due to changes in market interest rates is primarily related to the Group's fixed-rate borrowings, bonds payable, other current assets, and long-term receivables. The risk of fluctuations in the future cash flows of the Group's financial instruments due to changes in market interest rates is primarily related to the Group's liabilities with floating interest rates.

The following table sets out the sensitivity analysis of interest rate risk, reflecting the effect of reasonably possible changes in interest rate on net profit (via effect on variable-rate borrowings) (with effect of capitalisation of borrowing costs considered) under the assumption that all the other variables held constant.

Item	January- December 2023		January- December 2022	
	Increase in 25 point	Decrease in 25 point	Increase in 25 point	Decrease in 25 point
Rate of variable-rate borrowings				
(Decrease)/Increase in net profit (RMB'000)	(38,596)	38,596	(17,850)	17,850

(2) Other price risk

The Group's price risk is mainly arising from held-for-trading equity instrument investments and equity instruments at fair value through other comprehensive income. The Group adopts combination of multiple equity securities to mitigate the price risk of investments in equity securities.

(3) Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with its operating activities (settled in foreign currency other than the functional currency).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

5 Market risk *(continued)*

(3) Currency risk *(continued)*

The Group's operating activities are mainly located in China and most of the transactions are denominated in RMB, except for certain sales, purchases and borrowings which are settled in foreign currency. The fluctuation of the exchange rate between such foreign currency and RMB will affect the Group's operating performance.

The Group tries to mitigate the currency risk to the minimum extent mainly by closely monitoring the changes in market exchange rate and actively adopting responsive measures. In the export business, the Group's policy is to provide quotation based on the expected changes of exchange rate in respect of the external contracts under negotiation; during the negotiation, it is required to specify the range of exchange rate and the risks on the buyer and seller respectively. In import business, the enterprises are required to seize the moment of foreign exchange settlement for import so as to control the currency risk.

(i) Foreign currency financial assets and financial liabilities

RMB'000

Item	31 December 2023	31 December 2022
Foreign currency financial assets:		
Cash and bank balances	8,589,326	5,592,106
Held-for-trading financial assets	1,531	13,905
Accounts receivable	4,528,269	4,244,102
Other receivables	247,068	226,670
Long-term receivables (including due within one year)	25,702	316,952
Other non-current financial assets	219,564	215,903
Total	13,611,460	10,609,638
Foreign currency financial liabilities:		
Short-term borrowings	3,237,753	1,401,637
Accounts payable	4,349,136	3,247,423
Other payables	1,908,031	1,381,379
Long-term borrowings (including due within one year)	3,174,931	1,981,271
Lease liabilities (including due within one year)	509,983	525,568
Total	13,179,834	8,537,278



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

5 Market risk *(continued)*

(3) Currency risk *(continued)*

(i) Foreign currency financial assets and financial liabilities *(continued)*

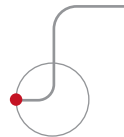
The following table sets out the sensitivity analysis on currency risk, reflecting the effect of reasonably possible changes in exchange rate of EUR and USD on net profit under the assumption that all the other variables held constant. As the effect changes in exchange rate of other currencies is not significant, related sensitivity analysis is not presented.

EUR	31 December 2023		31 December 2022	
	Increase	Decrease	Increase	Decrease
Against RMB	8.81%	8.81%	7.64%	7.64%
(Decrease)/increase in net profit (RMB'000)	(37,223)	37,223	3,463	(3,463)

USD	31 December 2023		31 December 2022	
	Increase	Decrease	Increase	Decrease
Against RMB	5.68%	5.68%	12.88%	12.88%
(Decrease)/increase in net profit (RMB'000)	121,373	(121,373)	254,836	(254,836)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

6 Capital management

The major objective of the Group's capital management is to ensure the Group's continuing operation, and provide the shareholders with continuous return by establishing a price of products and service that matches the risk level so as to obtain financing at reasonable cost.

The Group reviews and manages its capital structure on a regular basis, aiming to achieve most ideal capital structure and return to shareholders. The factors that the Group takes into consideration include: the Group's future capital demand, capital efficiency, actual and expected profitability, expected cash flows, expected capital expenditures and etc. If the economic conditions change and affect the Group, the Group will adjust the capital structure.

The Group monitors and manages its capital structure using asset-liability proportion. As at 31 December 2023 and 31 December 2022, the asset-liability proportion are as follows:

	31 December 2023	31 December 2022
Asset-liability proportion (%)	58.35	56.80



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

7 Transfer of financial assets

As at 31 December 2023, the Group endorsed receivables at FVTOCI of RMB5,134,098,000 (31 December 2022: RMB7,983,900,000) to its suppliers to pay the accounts payable; discounted bills receivable of RMB4,200,055,000 (31 December 2022: RMB1,315,886,000) to bank to obtain currency funds. The Group believes that the risk and rewards of the ownership of such endorsed or discounted bills receivable have been substantially transferred to the supplier or discounting bank, and therefore derecognised such endorsed or discounted bills receivable. If the acceptor can't cash such notes, according to relevant laws and regulations of China, the Group is held jointly liable for such bills receivable. The Group believes that as the acceptor is of good reputation, there is minor risk of the acceptor's failure to cash the notes upon maturity. On 31 December 2023, if the acceptor fails to cash such notes upon maturity, i.e. the Group's maximum exposure to loss is equivalent to the amount that the Group should pay the supplier or discounting bank in respect of such endorsed or discounted notes. For all the bills receivable endorsed to suppliers or discounted to bank, the maturity is within one year after the end of reporting year.

As at 31 December 2023, the Group endorsed bills receivable of RMB2,412,929,000 (31 December 2022: RMB8,677,483,000) to its suppliers to pay the accounts payable; discounted bills receivable of RMB603,602,000 (31 December 2022: RMB1,024,628,000) to bank to obtain currency funds. The Group determines that it retains substantially all risk and rewards of the ownership of such endorsed or discounted bills receivable (including relevant risk of default), and therefore continues to recognise such endorsed or discounted bills receivable as well as the carrying amount of relevant accounts payable that have been repaid. After the endorsement or discounting of bills receivable, the Group does not retain any right to use such endorsed or discounted notes, including selling, transferring or pledging such endorsed or discounted notes to any third party.

For the year ended 31 December 2023, the Group transferred accounts receivable of RMB3,570,164,000 (for the year ended 31 December 2022: RMB6,191,797,000) to bank to obtain currency funds. The Group determines that it has transferred substantially all the risks and rewards of ownership of such accounts receivable, and therefore derecognises such accounts receivable. The Group's losses arising from derecognition of such accounts receivable are included in investment income amounting to RMB44,760,000 (for the year ended 31 December 2022: RMB140,102,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XIII. DISCLOSURE OF FAIR VALUE

1 Closing fair value of assets and liabilities measured at fair value

RMB'000

Item	Fair value at 31 December 2023			Total	Valuation techniques and inputs	Significant unobservable inputs
	Level 1 Fair value measurement	Level 2 Fair value measurement	Level 3 Fair value measurement			
I. Recurring fair value measurements						
(I) Held-for-trading financial assets	-	5,097,875	3,834,853	8,932,728		
1. Derivative financial assets	-	2,541	-	2,541	Note 1	/
2. Certificate of deposits, etc.	-	5,095,334	-	5,095,334	Note 3	/
3. Unlisted equity instrument investments	-	-	3,834,853	3,834,853	Note 4	Note 4
(II) Receivables at FVTOCI	-	11,498,099	-	11,498,099	Note 3	/
(III) Investments in other equity instruments	907,646	-	1,900,544	2,808,190		
1. Listed equity instrument investments	907,646	-	-	907,646	Note 2	/
2. Unlisted equity instrument investments	-	-	1,900,544	1,900,544	Note 5	Note 5
(IV) Other non-current financial assets	219,564	-	-	219,564		
1. Perpetual bonds etc. investments	219,564	-	-	219,564	Note 1	/
Total assets measured at fair value on a recurring basis	1,127,210	16,595,974	5,735,397	23,458,581		
(V) Held-for-trading financial liabilities	-	111,529	-	111,529		
1. Derivative financial liabilities	-	111,529	-	111,529	Note 1	/
Total liabilities measured at fair value on a recurring basis	-	111,529	-	111,529		

Note 1: Discounted cash flow method. Future cash flows are based on forward exchange rate (sourced from the forward exchange rate observed at financial statement date) and estimated contractual forward exchange rate, and discounted using the discounting rate reflecting the credit risk of counterparty.

Note 2: Quoted price (unadjusted) in active market.

Note 3: Discounted cash flow method. Future cash flows are estimated based on expected return and discounted using the discounting rate reflecting the credit risk of counterparty.

Note 4: Discounted cash flow method. Unobservable inputs include revenue growth and system risk factor. The revenue growth is based on the estimate of the management of the investee. The system risk factor is based on the system risk factor of historical stock price of comparative companies.

Note 5: Comparative listed company comparing method and dividends discounting model. The unobservable inputs of the comparative listed company comparing method include liquidity discount. The unobservable inputs of dividends discounting model include expected growth rate and discounting rate.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XIII. DISCLOSURE OF FAIR VALUE *(continued)*

2 Reconciliation from the opening balances to the closing balances, and sensitivity analysis on unobservable inputs for items measured at recurring Level 3 fair value measurements.

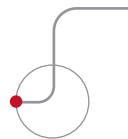
RMB'000

Item	Held-for-trading financial assets (unlisted equity instrument investments)	Investments in other equity instruments (unlisted equity instruments investment)
1 January 2023	3,204,616	1,695,943
Additions	4,589,448	230,000
Disposals	(4,305,307)	(9,297)
Transferred out in this period	–	–
Profits/(Losses)	346,096	(16,102)
Included in profit or loss	346,096	–
Included in other comprehensive income	–	(16,102)
31 December 2023	3,834,853	1,900,544

For the current year, there is no transfer among level 1, level 2 and level 3 fair value measurement of the Group's financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XIII. DISCLOSURE OF FAIR VALUE *(continued)*

3 Fair value of financial assets and financial liabilities not measured at fair value

The Group's financial assets and financial liabilities measured at amortised cost are detailed in Note IX.2. Except for the items listed below, the management of the Group determines that the carrying amount of these financial assets and financial liabilities in the financial statements approximates the fair value of such assets and liabilities.

RMB'000

Item	Carrying amount		Fair value	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Fixed-rate debt investments	1,582,490	236,361	1,376,729	202,007
Fixed-rate long-term receivables	6,724,181	11,343,189	5,632,004	9,294,649
Fixed-rate long-term borrowings	5,089,072	3,820,289	3,091,877	2,483,898
Fixed-rate corporate bonds payable	–	2,500,000	–	2,540,605

Of the debt investments, those in listed bonds can be publicly traded in an active market and are attributable to level 1 fair value measurement; and debt investments (exclusive of investments in listed bonds), long-term receivables, long-term borrowings and corporate bonds payable are determined based on discounted cash flows and attributable to level 2 fair value measurement, with the discounting rate reflecting the credit risk of the issuer as the key inputs.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1 Parent of the Company

RMB'000

Company name	Registered place	Nature of business	Registered capital	Proportion of ownership interest held by the parent company (%)	Proportion of voting power held by the parent company (%)
CRRC Group	Beijing	Manufacturing	23,000,000	51.40	51.40

The ultimate controlling party of the Company is State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC").

2 Subsidiaries of the Company

The Company's subsidiaries are detailed in Note III. 1.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

3 Joint ventures and associates of the Company

Please see Note X.2(1) for information of important joint ventures and associates of the Company.

The joint ventures and associates that have transactions with the Group in the current year are as follows:

Name of joint ventures or associates	Relationship with the Company
Qiqihar EEE Forging Equipment Co., Ltd.	Associates
Changchun Changke Alstom Rail Vehicle Co., Ltd.	Joint ventures
Dalian Toshiba Locomotive Electric Equipment Co., Ltd.	Joint ventures
Beijing Nankou SKF Railway Bearing Co., Ltd.	Associates
Knorr-Bremse Nankou Air Supply Unit (Beijing) Co., Ltd.	Associates
Datong Faiveley Railway Vehicle Equipment Company Limited	Associates
ABB Datong Traction Transformers Co., Ltd.	Associates
Xinyang Amsted Tonghe Wheels Co., Ltd.	Associates
Guangzhou Electric Locomotive Co., Ltd.	Associates
Xi'an Alstom Yongji Electrical Equipment Co., Ltd.	Associates
Qingdao Alstom Railway Equipment Co. Ltd.	Associates
Qingdao Sifang Faiveley Railway Brake Co., Ltd.	Joint ventures
Changchun Xiangtie Vehicle Equipment Manufacturing Co., Ltd.	Associates
Tianjin Electric Locomotive Co., Ltd.	Associates
Shenyang CRRC Westinghouse Railway Brake Technology Co., Ltd.	Joint ventures
China Railway Shenyang Railway Equipment Co., Ltd.	Associates
Shanghai Alstom Transport Electrical Equipment Co., Ltd.	Associates
Chengdu Changke Xinzhu Rail Transportation Equipment Co., Ltd.	Associates
Shanghai Shentong Changke Rail Transit Vehicle Co., Ltd.	Joint ventures
Shenzhen CRRC Railway Vehicle Co., Ltd.	Joint ventures
Rail Vehicle Equipment (Thailand) Co., Ltd	Associates
Qingdao Sifang Kawasaki Vehicle Technology Co., Ltd.	Joint ventures
Zhuzhou Times Mitsubishi Transportation Equipment Co., Ltd.	Joint ventures
Zhuzhou Siemens Traction Equipment Co., Ltd.	Associates
Zhuzhou CRRC Times Investment Co., Ltd	Joint ventures
Changzhou RuiYang Transmission Technology Co., Ltd	Joint ventures
Hunan Times Westinghouse Transportation Equipment Co., Ltd.	Associates
Huaneng Tieling Daxing Wind Power Co., Ltd.	Associates
Huaneng Panjin Wind Power Co., Ltd.	Associates



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

3. Joint ventures and associates of the Company *(continued)*

Name of joint ventures or associates	Relationship with the Company
Sichuan Sharing Foundry Co., Ltd.	Associates
Guangzhou Metro Microfinance Co., Ltd.	Associates
Hunan Maglev Transportation Development Co., Ltd.	Associates
Guangzhou Sifang Rail Transit Equipment Co., Ltd.	Joint ventures
Xi'an Sifang Rail Traffic Equipment Co., Ltd.	Joint ventures
Shanxi Jinlong Sifang Railway Vehicle Equipment Co., Ltd.	Joint ventures
China-Germany Joint R&D Center for Railway Technology (Dresden) Co., Ltd.	Associates
Shanghai Shentong CRRC Rail Transit Operation Safety Engineering Technology Research Co., Ltd.	Joint ventures
Changchun Changke Rail Environmental Protection Equipment Co., Ltd.	Joint ventures
Beijing Sifang Tongchuang Rail Transit Equipment Co., Ltd.	Joint ventures
CRRC Zhaoyin (Tianjin) Equity Investment Fund Management Co., Ltd	Joint ventures
CRRC Capital (Tianjin) Equity Investment Fund Management Co., Ltd	Associates
Vertex Railcar Corporation	Associates
Beijing Beijiufang Rail Transit Technology Co., Ltd.	Associates
Australian Rail Track Co., Ltd	Associates
Chongqing Dynamic Investment Rail Transit Equipment Co., Ltd.	Associates
Baweitong Technology Co., Ltd.	Associates
Wuhu Yunda Rail Transit Construction and Operation Co., Ltd.	Joint ventures
Taizhou Taichung Rail Transit Co., Ltd.	Associates
Datong Semco Railway Traffic Co., Ltd.	Associates
Beijing Tianlu Longxiang Transportation Equipment Co., Ltd	Joint ventures
Zhejiang Times Lanp New Energy Co., Ltd.	Joint ventures
Shenyang CRRC Rail Transit Equipment Co., Ltd.	Joint ventures
CRRC China Innovation Fund Co., Ltd.	Associates
CRRC Ziyang Transmission Co., Ltd.	Associates
Sichuan CRRC Railway Investment Rail Transit Co., Ltd.	Associates
China Offshore Industry Innovation Center Co., Ltd	Associates
Wuhan Digital Design and Manufacturing Innovation Centre Co., Ltd.	Associates
Inner Mangolia First Machinery Group Like Plastic Products Co., Ltd.	Associates
Zhuzhou Times Engineering Plastics Technology Co., Ltd.	Associates
Hunan Honghui Technology Co., Ltd.	Associates
Hunan Guoci Power Technology Co., Ltd	Associates
Shangcai Shenhua CRRC New Energy Co.	Associates
Jiangsu Leadrun Manden Casting Co., Ltd.	Joint ventures
Zhuzhou Times Electric Insulation Co., Ltd.	Associates
Sichuan Zhongxin Composite Material Co., Ltd	Associates
Qingdao Sifang Sri Intellectual Technology Co., Ltd.	Joint ventures

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

3. Joint ventures and associates of the Company *(continued)*

Name of joint ventures or associates	Relationship with the Company
Shanghai CRRC Voith Transmission Technology Co., Ltd.	Associates
Zhuzhou National Innovation Railway Technology Co., Ltd.	Associates
Tongche Zhongdian Railway Equipment Co., Ltd	Associates
Qingdao Metro Rail Transit Intelligent Maintenance Co., Ltd.	Associates
Jiangxi Shangye Shengyilun Electric Co., Ltd.	Associates
Zhuzhou Times Huaxin New Material Technology Co., Ltd.	Associates
Zhixin Semiconductors Co., Ltd.	Associates
Dalian Kaifeng Heavy Industry Co., Ltd	Associates
Nanjing Tengsheng Energy Internet Technology Co., Ltd	Associates
Zhejiang Railway Transportation Operation Management Group Co., Ltd	Associates
Jiangsu CRRC Digital Technology Co., Ltd.	Associates
Jiangsu China Railway Transportation Technology Co., Ltd	Associates
Guangxi China Railway Digital Technology Co., Ltd	Associates
Digital Rail (Shanghai) Transportation Technology Co., Ltd	Associates
Chengdu Digital China Railway Technology Co., Ltd	Associates
Anhui Zhiyun Digital Technology Co., Ltd	Associates
China United Insurance Holding Co., Ltd	Associates
City Rail Innovation Network Center Co., Ltd.	Associates
Mawan Railway Company Co., Ltd.	Associates
Jinan-Qingdao High-speed Railway Co., Ltd.	Associates
Foshan Gaoming Modern Rail Transport Construction & Investment Co., Ltd.	Associates
CRRC Foshan Investment Development Co., Ltd.	Associates
Hunan Motor Vehicle Inspection Technology Co., Ltd.	Associates
CECC (Yantai) Wind Power Co., Ltd	Joint ventures
Jinan Sirui Rail Transit Equipment Technology Co., Ltd.	Associates
IMATEQSAS	Joint ventures
Zhuzhou Bryan Technology Co., Ltd.	Associates
CRRC Zhuzhou Rail Transit Periodical Press Co., Ltd.	Associates
CRRC (Beijing) Transformation and Upgrading Fund Management Co., Ltd.	Associates
Zhejiang CRRC Shangchi Electric Co., Ltd.	Associates
Aviation Materials Guochuang (Qingdao) High Speed Railway Materials Research Institute Co., Ltd	Associates
Hadronic (Qingdao) Welding Engineering Innovation Center Co., Ltd.	Associates
Tianjin Line 1 Rail Transit Operation Co., Ltd.	Associates
CSCEC (Shandong) Industrial Development Co., Ltd	Associates
Wuxi Times Intelligent Transportation Research Institute Co., Ltd.	Associates
Zhengzhou Times Transport Electrical Equipment Co., Ltd.	Joint ventures
Jiangsu Zhongcheng Transportation Equipment Co., Ltd.	Associates



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

3. Joint ventures and associates of the Company *(continued)*

Name of joint ventures or associates	Relationship with the Company
Guangzhou CRRC Junfa Electric CO., Ltd	Associates
Huaneng Tieling Daxing Wind Power Co., Ltd	Associates
Changshu Zhishui Environmental Protection Water Co., Ltd.	Joint ventures
Hebei CRRC Luxing Anti Loosening Technology Co., Ltd.	Associates
Foshan Zhongshi Zhihui Transportation Technology Co., Ltd.	Associates
Guangzhou Qinglan Semiconductor Co., Ltd.	Joint ventures
Tieke (Beijing) Rail Equipment & Technology Co., Ltd.	Associates
Huaneng Zhongji Environmental Protection Technology Co., Ltd	Joint ventures
Nanjing Metro Air Conditioning Technology Co., Ltd.	Associates
China Resources New Energy (Alaska) Co., Ltd	Associates
China Resources New Energy (Ordos) Co., Ltd	Associates
CRRC Pioneer Electric (India) Pvt. Ltd.	Associates
Chengdu Ruiyang Rail Transmission Technology Co., Ltd	Joint ventures
Anhui CRRC Puzhen Urban Rail Transit Operation and Maintenance Technology Co., Ltd.	Associates
Nanjing Rail Transit Industry Development Co., Ltd.	Associates
Hunan Magnetic Power Technology Co., Ltd.	Associates
Zhuzhou Sway Railway Products Co., Ltd.	Joint ventures
Guangzhou High Speed Rail Technology Co., Ltd.	Associates
Qingdao Green Development Research Institute Co., Ltd.	Associates
Puli Zhi Xing (Shanghai) Industrial Design Co., Ltd.	Associates
Taizhou Changhang Railway Transportation Operation Management Co., Ltd.	Associates
China National Offshore Engineering Equipment Technology Development Co., Ltd.	Associates
Hunan Maglev Group Co., Ltd.	Associates
Hebei Hongrui Environmental Protection Technology Co., Ltd.	Associates
China Foreign Trade Finance & Leasing Co., Ltd.	Associates
Tiemei (Dalian) New Material Technology Co., Ltd.	Joint ventures

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4 Related party transactions

(1) Purchases and sales of goods, rendering and receipt of services

Purchase of goods/receipt of service

		RMB'000	
Related party	Content of related party transaction	January-December 2023	January-December 2022
Joint ventures of the Group	Purchase of goods	350,804	635,288
Associates of the Group	Purchase of goods	1,517,454	1,476,923
CRRC Group and subsidiaries (Note 1)	Purchase of goods	971,086	1,065,917
Joint ventures and associates of CRRC Group and subsidiaries (Note 2)	Purchase of goods	14,632	6,265
Joint ventures of the Group	Receipt of service	73,068	52,057
Associates of the Group	Receipt of service	121,031	94,719
CRRC Group and subsidiaries (Note 1)	Receipt of service	131,080	46,935
Joint ventures and associates of CRRC Group and subsidiaries (Note 2)	Receipt of service	3,774	4,066
Total	/	3,182,929	3,382,170

Note 1: These related party transactions are continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Note 2: Transaction amounts of RMB12,587,000 constituted the continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4 Related party transactions *(continued)*

(1) Purchases and sales of goods, rendering and receipt of services *(continued)*

Sale of goods/rendering of service

RMB'000

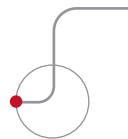
Related party	Content of related party transaction	January-December 2023	January-December 2022
Joint ventures of the Group	Sale of goods	1,251,843	1,125,482
Associates of the Group	Sale of goods	5,897,106	3,514,252
CRRC Group and its subsidiaries (Note 1)	Sale of goods	1,092,847	1,521,036
Joint ventures and associates of CRRC Group and subsidiaries (Note 2)	Sale of goods	983,603	1,005,232
Joint ventures of the Group	Rendering of services	57,189	21,390
Associates of the Group	Rendering of services	47,377	27,559
CRRC Group and its subsidiaries (Note 1)	Rendering of services	47,428	89,893
Joint ventures and associates of CRRC Group and subsidiaries (Note 2)	Rendering of services	4,665,308	4,676,593
Total	/	14,042,701	11,981,437

Note 1: These related party transactions are continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Note 2: Transaction amounts of RMB5,636,118,000 constituted the continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4 Related party transactions *(continued)*

(2) Leases with related parties

The Company as the lessor:

		RMB'000	
Name of lessee	Type of leased assets	Lease income recognised in current year	Lease income recognised in prior year
Joint ventures of the Group	Fixed assets	574	2,530
Associates of the Group	Fixed assets	3,569	15,711
CRRC Group and its subsidiaries (Note 1)	Fixed assets	4,245	4,981
Joint ventures and associates of CRRC Group and subsidiaries (Note 2)	Fixed assets	2,866	4,828
Total	/	11,254	28,050

Note 1: These related party transactions are continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Note 2: Transaction amounts of RMB1,846,000 constituted the continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4 Related party transactions (continued)

(2) Leases with related parties (continued)

The Company as the lessee:

RMB'000

Name of lessor	Type of leased assets	Rental costs for short-term leases and leases of low-value assets with simplified treatment (if applicable)		Variable lease payments not included in the measurement of the lease liability (if applicable)		Rent paid		Interest expense on lease liabilities assumed		Increased right-to-use assets	
		January-December 2023	January-December 2022	January-December 2023	January-December 2022	January-December 2023	January-December 2022	January-December 2023	January-December 2022	January-December 2023	January-December 2022
		Joint ventures of the Group	Fixed assets	-	225	-	-	-	225	-	-
Associates of the Group	Fixed assets	-	-	-	-	891	668	224	244	-	5,144
CRRC Group and its subsidiaries (Note 1)	Fixed assets	83,825	237,293	-	-	107,225	236,454	2,344	823	35,294	1,633
Joint ventures and associates of CRRC Group and its subsidiaries (Note 2)	Fixed assets	190	223	-	-	190	223	-	-	-	-

Note 1: These related party transactions are continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx, the amount is RMB119,119,000.

Note 2: Transaction amounts of RMB190,000 constituted the continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

(3) Guarantees with related parties

The Company as the guarantor

RMB'000

The guaranteed company	Guarantee amount	Guarantee Start Date	Guarantee expiration date	Whether the guarantee has been fulfilled
Wuhu Yunda	1,559,480	20/06/2017	20/06/2047	No
CRRCE-LOCOSUPPLY(PTY) LTD	1,102,060	17/03/2014	Date of completion of project implementation	No
CONSORCIOTRENLI GEROLINEA4 GUADALAJARA, S.A.P.I.deCV	686,000	28/09/2023	28/09/2025	No
CONSORCIOTRENLI GEROLINEA4 GUADALAJARA, S.A.P.I.deCV	231,223	27/10/2023	25/10/2059	No

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4 Related party transactions *(continued)*

(3) Guarantees with related parties *(continued)*

The Company as the guarantee holder

RMB'000

Name of guarantor	Guarantee amount	Guarantee Start Date	Guarantee expiration date	Whether the guarantee has been fulfilled
CRRC Group	1,102,060	17/03/2014	Date of completion of project implementation	No

(4) Funding from related party

RMB'000

Related party	Amount of borrowing/loan	Inception date	Maturity date	Note
Funds received				
CRRC Group and its subsidiaries	312,960	05/12/2023	04/12/2024	/
CRRC Group and its subsidiaries	1,100,000	11/12/2023	10/12/2024	/
CRRC Group and its subsidiaries	249,770	11/12/2023	10/12/2024	/
CRRC Group and its subsidiaries	300,000	15/11/2023	14/11/2024	/
CRRC Group and its subsidiaries	22,560	15/11/2023	14/11/2024	/
CRRC Group and its subsidiaries	148,590	15/11/2023	14/11/2024	/
CRRC Group and its subsidiaries	216,810	19/12/2023	18/12/2024	/
CRRC Group and its subsidiaries	100,000	18/04/2023	17/04/2024	/
CRRC Group and its subsidiaries	3,000,000	20/12/2023	19/12/2024	/
CRRC Group and its subsidiaries	3,000,000	11/12/2023	10/12/2024	/
CRRC Group and its subsidiaries	1,600,000	18/04/2023	17/04/2024	/

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4 Related party transactions *(continued)*

(5) Assets transfer/debt restructuring with related parties

RMB'000

Related party	Nature of transaction	January- December 2023	January- December 2022
Joint ventures of the Group	Purchase of fixed assets from related parties	290	–
Associates of the Group	Purchase of fixed assets from related parties	4,220	6,467
Joint ventures and associates of the CRRC Group (Note 2)	Purchase of fixed assets from related parties	1,336	–
CRRC Group and its subsidiaries (Note 1)	Purchase of fixed assets from related parties	4,668	32,396
CRRC Group and its subsidiaries	Purchase of intangible assets from related parties	–	1,456
Total		10,514	40,319

Note 1: These related party transactions are continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Note 2: Transaction amounts of RMB1,336,000 constituted the continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

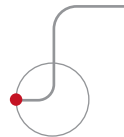
(6) Remuneration of key management personnel

RMB'000

Item	January- December 2023	January- December 2022
Remuneration of key management personnel	11,879	11,354

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4 Related party transactions *(continued)*

(6) Remuneration of key management personnel *(continued)*

(i) Directors', supervisors' and chief executive's emoluments

	RMB'000	
	January- December 2023	January- December 2022
Fees	304	294
Other emoluments:		
Salaries	1,882	1,452
Performance-related bonuses (Note 1)	3,582	2,445
Social security contributions (other than pension scheme contributions) (Note 2)	785	560
Pension scheme contributions (Note 3)	201	145
Total	6,754	4,896

Note 1: The performance-related bonuses are determined by the remuneration committee in accordance with the relevant remuneration policies of the Company.

Note 2: The social security contribution (other than pension scheme contributions) represent the Company statutory contributions directly to the PRC government, and are determined based on a certain percentage of the salaries of the directors supervisors and the chief executive.

Note 3: The pension scheme contributions represent the Company's statutory contributions to a defined contribution pension scheme organised by the PRC government, and are determined based on a certain percentage of the salaries of the director, supervisors and the chief executive.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4 Related party transactions *(continued)*

(6) Remuneration of key management personnel *(continued)*

(i) Directors', supervisors' and chief executive's emoluments *(continued)*

As at December 31, 2023, the name of the directors, supervisors and the chief executive and their emoluments are as follows:

RMB'000

	Fees	Salaries	Performance related bonuses	Social security contributions (other than pension scheme contributions)	Pension scheme contributions	Total
Executive director:						
Sun Yongcai	-	240	653	121	31	1,045
Ma Yunshuang	-	214	581	121	31	947
Wang An (Note 1)	-	-	-	-	-	-
Lou Qiliang (Departure)	-	180	575	90	23	868
Sub-total	-	634	1,809	332	85	2,860
Non-executive directors:						
Jiang Renfeng	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
Independent non-executive directors:						
Shi Jianzhong	80	-	-	-	-	80
Weng Yiran	80	-	-	-	-	80
Wei Mingde	144	-	-	-	-	144
Sub-total	304	-	-	-	-	304
Supervisors:						
Zhao Hu	-	389	513	121	31	1,054
Chen Zhenhan	-	302	435	121	31	889
Zhang Shidong	-	303	434	121	31	889
Chen Xiaoyi (Departure)	-	254	391	90	23	758
Sub-total	-	1,248	1,773	453	116	3,590
Total	304	1,882	3,582	785	201	6,754

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4 Related party transactions *(continued)*

(6) Remuneration of key management personnel *(continued)*

(i) Directors', supervisors' and chief executive's emoluments *(continued)*

Note 1: Executive Director Mr. Wang An's remuneration is charged to the Group.

Contributions to the remuneration and benefits of individual directors, supervisors and the President for the year ended December 31, 2022, are as follows:

	Fees	Salaries	Performance related bonuses	Social security contribution (other than pension scheme contributions)	Pension scheme contributions	Total
Executive director:						
Sun Yongcai	-	234	629	112	29	1,004
Lou Qiliang	-	223	598	112	29	962
Wang An (Note 1)	-	-	-	-	-	-
Sub-total		457	1,227	224	58	1,966
Non-executive directors:						
Jiang Renfeng	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
Independent non-executive directors:						
Shi Jianzhong	100	-	-	-	-	100
Weng Yiran	62	-	-	-	-	62
Wei Mingde	132	-	-	-	-	132
Sub-total	294	-	-	-	-	294
Supervisors:						
Zhao Hu	-	389	454	112	29	984
Chen Zhenhan	-	302	382	112	29	825
Chen Xiaoyi	-	304	382	112	29	827
Sub-total	-	995	1,218	336	87	2,636
Total	294	1,452	2,445	560	145	4,896



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4 Related party transactions *(continued)*

(6) Remuneration of key management personnel *(continued)*

(i) Directors', supervisors' and chief executive's emoluments *(continued)*

Note 1: Executive Director Mr. Wang An's remuneration is charged to the Group.

Note 2: During the reporting period, Sun Yongcai, Lou Qiliang, Wang An, Wang Jun, Wei Yan, Yu Weiping, Li Zheng, Ma Yunshuang and Wang Gongcheng received 2019-2021 tenure incentive income from the Company, the details of which are as follows:

Name	Position (Note)	2019-2021	Term incentive time
		tenure incentive income (thousands of yuan)	
Sun Yongcai	Executive director, Chairman	737	2019.01-2021.12
Lou Qiliang	Executive director, President	676	2019.01-2021.12
Wang An	Executive director	-	2019.01-2021.12
Wang Jun	Vice President	663	2019.01-2021.12
Wei Yan	Vice President	663	2019.01-2021.12
Yu Weiping	Vice President	657	2019.01-2021.12
Li Zheng	Financial Director	474	2019.01-2021.12
Ma Yunshuang	Vice President	310	2019.01-2021.12
Wang gongcheng	Vice President	310	2019.01-2021.12
Total	/	4,490	/

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4 Related party transactions *(continued)*

(6) Remuneration of key management personnel *(continued)*

(ii) Five highest paid employees

The five highest paid employees of the Group during the year are neither directors, supervisors nor chief executive.

Details of the remuneration of the five highest paid employees during the year are as follows:

	Accrued during the period	Accrued during the prior period
Salaries	1,787	1,948
Performance-related bonuses	8,146	8,269
Social security contributions (other than pension scheme contributions)	531	471
Pension scheme contributions	197	171
Total	10,661	10,859

RMB'000

The number of five highest paid employees whose remuneration fell within the following band is as follows:

	2023	2022
HKD2,000,001 to HKD2,500,000	–	–
HKD2,500,001 to HKD3,000,000	5	5



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4 Related party transactions *(continued)*

(7) Other related party transactions

RMB'000

Related party	Nature of related party transaction	Accrued during the period	Accrued during the prior period
Joint ventures of the Group	Financial service and interest income	5,457	11,045
Associates of the Group	Financial service and interest income	5,161	1,088
CRRC Group and its subsidiaries (Note 1)	Financial service and interest income	39,780	175,950
Joint ventures of the Group	Interest expenses	329	278
Associates of the Group	Interest expenses	97	69
CRRC Group and its subsidiaries	Interest expenses	169,948	160,894
Joint ventures and associates of CRRC Group and its subsidiaries	Interest expenses	14	19
Total	/	220,786	349,343

Note 1: Transaction amounts of RMB0 constituted the continuing connected transaction in accordance with Chapter 14A of the Listing Rules by HKEx.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5 Amounts due from/to related parties.

(1) Receivables

RMB'000

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Provision for bad and doubtful debts	Carrying amount	Provision for bad and doubtful debts
Bills receivable	Joint ventures of the Group	1,160	–	24,125	–
Bills receivable	Associates of the Group	80,483	35	238,652	559
Bills receivable	CRRC Group and its subsidiaries	–	–	16,821	569
Accounts receivable	Joint ventures of the Group	867,399	15,824	685,610	24,949
Accounts receivable	Associates of the Group	1,170,943	18,465	1,861,285	14,264
Accounts receivable	CRRC Group and its subsidiaries	871,299	38,997	1,335,692	40,594
Accounts receivable	Joint ventures and associates of CRRC Group and its subsidiaries	200,969	5,911	265,589	6,842
Receivables at FVTOCI	Joint ventures of the Group	22,904	–	3,721	–
Receivables at FVTOCI	Associates of the Group	1,033,636	–	413,896	20
Receivables at FVTOCI	CRRC Group and its subsidiaries	41,066	–	247,699	–
Prepayments	Joint ventures of the Group	65,535	–	138,848	50
Prepayments	Associates of the Group	61,976	167	157,807	–
Prepayments	CRRC Group and its subsidiaries	197,232	–	10,881	–
Other receivables	Joint ventures of the Group	2,319	18	5	–
Other receivables	Associates of the Group	20,503	1,168	19,287	327
Other receivables	CRRC Group and its subsidiaries	65,580	6,360	143,255	7,195
Other receivables	Joint ventures and associates of CRRC Group and its subsidiaries	956	5	–	–
Contract assets	Joint ventures of the Group	21,759	165	4,625	50
Contract assets	Associates of the Group	231,137	2,942	331,444	4,805
Contract assets	CRRC Group and its subsidiaries	252,749	4,438	202,495	3,987
Contract assets	Joint ventures and associates of CRRC Group and its subsidiaries	133,359	133	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Amounts due from/to related parties *(continued)*

(1) Receivables *(continued)*

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Provision for bad and doubtful debts	Carrying amount	Provision for bad and doubtful debts
Non-current assets due within one year	Joint ventures of the Group	77,961	6,131	281,556	599
Non-current assets due within one year	Associates of the Group	1,297	3	251,715	573
Non-current assets due within one year	CRRC Group and its subsidiaries	2,016,161	4,357	2,001,167	2,682
Long-term receivables	Associates of the Group	374,517	374,517	412,221	368,316
Other non-current assets	Joint ventures of the Group	96,094	1,169	62,236	1,120
Other non-current assets	Associates of the Group	602,465	6,636	810,030	4,926
Other non-current assets	CRRC Group and its subsidiaries	306,174	658	170,109	172
Other non-current assets	Joint ventures and associates of CRRC Group and its subsidiaries	2,028,994	10,664	220,452	220
Total	/	10,846,627	498,763	10,311,223	482,819

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Amounts due from/to related parties (continued)

(2) Payables

RMB'000

Item	Related party	Closing book Value	Beginning book value
Deposits from banks and other financial institutions	Joint ventures of the Group	32,985	26,951
Deposits from banks and other financial institutions	Associates of the Group	13,592	37,682
Deposits from banks and other financial institutions	CRRC Group and its subsidiaries	5,674,750	3,029,384
Deposits from banks and other financial institutions	Joint ventures and associates of CRRC Group and its subsidiaries	95,623	59,962
Bills payable	Joint ventures of the Group	29,023	316,314
Bills payable	Associates of the Group	89,135	58,476
Bills payable	CRRC Group and its subsidiaries	26,079	82,961
Bills payable	Joint ventures and associates of CRRC Group and its subsidiaries	736	–
Accounts payable	Joint ventures of the Group	1,981,160	1,685,795
Accounts payable	Associates of the Group	2,168,038	1,813,630
Accounts payable	CRRC Group and its subsidiaries	3,495,245	2,577,955
Accounts payable	Joint ventures and associates of CRRC Group and its subsidiaries	93,596	95,872
Receipts in advance	CRRC Group and its subsidiaries	2,167	2,010
Contract liabilities	Joint ventures of the Group	1,044	2,761
Contract liabilities	Associates of the Group	74,391	148,492
Contract liabilities	CRRC Group and its subsidiaries	39,856	167,228
Contract liabilities	Joint ventures and associates of CRRC Group and its subsidiaries	71,433	519,188
Other payables	Joint ventures of the Group	9,278	11,042
Other payables	Associates of the Group	93,330	57,948
Other payables	CRRC Group and its subsidiaries	10,368,236	3,334,817
Other payables	Joint ventures and associates of CRRC Group and its subsidiaries	4,525	4,909
Non-current liabilities due within one year	CRRC Group and its subsidiaries	–	11,341
Lease liabilities	Associates of the Group	3,355	4,720
Lease liabilities	CRRC Group and its subsidiaries	15,955	15,235
Total	/	24,383,532	14,064,673



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XIV. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

6 Related party commitments

(1) Commitments relating to related parties that have been entered into but not necessary to be presented in the financial statements are as follows

RMB'000

Item	Related party	31 December 2023	31 December 2022
Sale of goods to related parties	Joint ventures of the Group	85,432	111,466
Sale of goods to related parties	Associates of the Group	69,162	76,461
Sale of goods to related parties	CRRC Group and its subsidiaries	81	2,556
Purchase of goods from related parties	Associates of the Group	4,482	41,057
Purchase of goods from related parties	CRRC Group and its subsidiaries	632	1,481
Total	/	159,789	233,021

XV. COMMITMENTS AND CONTINGENCIES

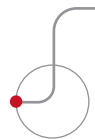
1 Significant commitments

RMB'000

Item	31 December 2023	31 December 2022
Construction in progress, fixed assets and land use rights	4,726,508	3,399,975
Other intangible assets	10,749	10,905
Total	4,737,257	3,410,880

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XV. COMMITMENTS AND CONTINGENCIES (continued)

2 Contingencies

(1) Significant contingencies existing at the balance sheet date

RMB'000

Relevant entity	Guarantee holder	Amount of guarantee	Type of guarantee
The Company	Wuhu Yunda	1,559,480	Guarantee for performance, financing and profit or loss
CRRC Zhuzhou Locomotive Co., Ltd	CRRC E-LOCO SUPPLY(PTY) LTD	1,102,060	Guarantee for performance
CRRC (Hong Kong) Co. Limited.	CONSORCIO TREN LIGERO LINEA 4 GUADALAJARA, S.A.P.I. de C.V	917,223	Guarantee for performance and financing

(2) If there are no significant contingencies, disclose this fact:

The thirtieth meeting of the second session of the Board of Directors held on 18 July 2021 resolved that, CRRC Zhuzhou Locomotive, a wholly-owned subsidiary of the Company, entered into the Entrustment Agreement (the "Entrustment Agreement") and a series of related agreements with Zhuzhou Locomotive Industrial, a wholly-owned subsidiary of CRRC Group, which shall entrust Zhuzhou Locomotive Industrial to manage the 100% equity interest of CRRC E-LOCO SUPPLY (PTY) LTD. ("the Target Company"), and entrust Zhuzhou Locomotive Industrial to exercise all shareholders' rights from the date of the Entrustment Agreement. Based on the Entrustment Agreement, during the Entrustment Period, all operating income or operating losses of the Target Company shall be enjoyed or borne by Zhuzhou Locomotive Industrial, and the rewards and risk of changes in the overall value of the Target Company's interests shall also be enjoyed or borne by Zhuzhou Locomotive Industrial. CRRC Zhuzhou Locomotive shall relinquish all shareholders' rights from the date of the Entrustment Agreement and the Target Company will cease to be consolidated in the consolidated financial statements of the Company and the Target Company will cease to be a subsidiary of the Group. Prior to the Entrustment Agreement, in respect of the performance obligations of the Target Company and its subsidiaries under the Locomotive Supply Contracts, CRRC Zhuzhou Locomotive has provided performance guarantee ("the Guarantee") for the Target Company's subsidiary. Accordingly, CRRC Zhuzhou Locomotive will continue to provide the performance guarantee for the Target Company's subsidiary upon the effective date of the Entrustment Agreement. CRRC Group will provide the Counter Guarantee for the obligations of CRRC Zhuzhou Locomotive under the Guarantee pursuant to the Counter Guarantee Agreement, signed by CRRC Group and CRRC Zhuzhou Locomotive. As at 31 December 2023, the balance of the performance guarantee provided by CRRC Zhuzhou Locomotive for CRRC E-LOCO SUPPLY (PTY) LTD. amounted to RMB1.102 billion.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XVI. SUBSEQUENT EVENTS

1 Profit distribution

	RMB'000
Item	31 December 2023
Profit or dividend to be distributed	5,739,773
Profits or dividends declared after consideration and approval	–

On March 28, 2024, the Twenty-third Meeting of the Third Session of the Board of Directors of the Company was held to consider and approve the "Proposal on Profit Distribution for the Year 2023 of China Railway Company Limited", which proposed to distribute cash dividends to all shareholders on the basis of 5 (its the Third Session 3-imron theUregideeatio.5 (s 5date)13.0 -

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XVII. OTHER SIGNIFICANT ITEMS

1 Segment information

(1) Basis for determining reporting segment and accounting policies

Based on the requirements of operation management, the Group's operating activities are classified in to one separate operating segment, mainly supplying the market with rail transit equipment and extended products and services, therefore the Group has no other operating segment.

(2) Financial information of reporting segments

(i) External revenue

RMB'000

Item	Accrued during the period	Accrued during the prior period
Products and services information:		
Rail transit equipment and extended products and services	234,261,514	222,938,637
Total	234,261,514	222,938,637
Geographical information:		
Mainland China	206,528,536	198,557,034
Other countries and regions	27,732,978	24,381,603
Total	234,261,514	222,938,637

(ii) Specified non-current assets

RMB'000

Item	31 December 2023	31 December 2022
Mainland China	135,598,358	127,449,001
Other countries and regions	6,010,470	6,117,609
Total	141,608,828	133,566,610

The non-current assets are attributable to the regions where the assets are located, and exclude financial assets, financing lease receivable and deferred tax assets



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XVII. OTHER SIGNIFICANT ITEMS *(continued)*

1 Segment information *(continued)*

(2) Financial information of reporting segments

(iii) Major customers

The Group's operating income from major customer China State Railway Group is RMB89,958,290,000 (January-December 2022: RMB71,359,152,000). The Group has no other single customer from which the revenue accounts for over 10% of the Group's operating income.

2 Other significant transactions or events affecting investors' decision-making

(1) Net current assets

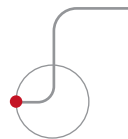
	RMB'000	
Item	31 December 2023	31 December 2022
Current assets	314,587,463	290,455,050
Less: Current liabilities	250,407,506	227,403,751
Net current assets	64,179,957	63,051,299

(2) Total assets minus current liabilities

	RMB'000	
Item	31 December 2023	31 December 2022
Total assets	471,791,735	442,140,146
Less: Current liabilities	250,407,506	227,403,751
Total assets less current liabilities	221,384,229	214,736,395

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XVII. OTHER SIGNIFICANT ITEMS *(continued)*

3 Others

(1) Basic earnings per share

The basic earnings per share is calculated by dividing the current net profit attributable to the common shareholders of the company by the weighted average number of common shares issued:

Item	2023	2022
Net profit of the year attributable to ordinary shareholders (RMB'000)	11,711,576	11,653,448
Number of ordinary shares issued in the current period (thousand shares)	28,698,864	28,698,864
Basic earnings per share (RMB/share)	0.41	0.41

(2) Diluted earnings per share

Item	2023	2022
Net profit of the year attributable to ordinary shareholders (RMB'000)	11,711,576	11,653,448
Plus: impact of convertible bonds (RMB'000)	–	–
Net profit used to calculate diluted earnings per share (RMB'000)	11,711,576	11,653,448
Number of ordinary shares issued in the current period (thousand shares)	28,698,864	28,698,864
Plus: impact of convertible bonds (thousand shares)	–	–
Number of ordinary shares issued in the current period to calculate diluted earnings per share (thousand share)	28,698,864	28,698,864
Diluted earnings per share (RMB/share)	0.41	0.41



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XVIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1 Cash and bank on hand

(1) Cash at bank and on hand

RMB'000

Item	31 December 2023	31 December 2022
Deposits with banks	16,388,480	17,252,667
Other monetary funds	500,000	501,503
Total	16,888,480	17,754,170

(2) Cash at bank and on hand with restrictive ownership title or right of use

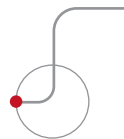
RMB'000

Category	31 December 2023	31 December 2022
Bank acceptance bills deposit	500,000	501,503
Total	500,000	501,503

As at 31 December 2023, there were RMB669,833,000 unsecured and unrestricted time deposits with maturity of three months and above (31 December 2022: RMB1,001,588,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XVIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

2 Other receivables

Presented by item

	RMB'000	
Category	Closing balance	Opening balance
Dividends receivable	6,254,719	3,745,736
Other receivables	12,388,643	8,671,753
Total	18,643,362	12,417,489

Dividenda by item

	RMB'000	
Item (or investee)	Closing balance	Opening balance
Dividends receivable from subsidiaries	6,102,781	3,745,736
Dividends receivable from associates	151,938	–
Total	6,254,719	3,745,736

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XVIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

2 Other receivables *(continued)*

Other receivables

(1) Analysis by aging

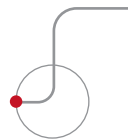
	RMB'000	
Ageing	Carrying amount at the end of the period	Opening balance
Within 1 year	12,366,325	8,190,349
1-2 years	9,249	22,238
2-3 years	15,601	26,739
Over 3 years	13,317	440,707
Sub-total	12,404,492	8,680,033
Less: Credit loss allowance	(15,849)	(8,280)
Total	12,388,643	8,671,753

(2) Other receivables categorized by nature

	RMB'000	
Nature of other receivables	Carrying amount at the end of the period	Carrying amount at the beginning of the period
Transactions between subsidiaries	12,370,132	8,666,004
Others	18,511	5,749
Total	12,388,643	8,671,753

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XVIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

2 Other receivables (continued)

Other receivables (continued)

(3) Top five entities with the largest balances of other receivables

RMB'000

Name of enterprise	Book value at 31 December 2023	Proportion to total closing balance of other receivables (%)	Balance of loss allowance at 31 December 2023
Top 5 Other receivables	10,114,396	81.54	10,114

3 Long-term equity investments

RMB'000

Item	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Investments in subsidiaries	105,102,093	-	105,102,093	104,311,230	-	104,311,230
Investments in joint ventures and associates	9,630,623	-	9,630,623	6,309,133	-	6,309,133
Total	114,732,716	-	114,732,716	110,620,363	-	110,620,363

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XVIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

3 Long-term equity investments (continued)

(1) Investments in subsidiaries

RMB'000

Investee	Opening balance	Additions during the period	Decrease during the period	Closing balance
CRRC Changchun	11,938,306	40,000	–	11,978,306
CRRC Zhuzhou Institute	11,927,572	6,000	–	11,933,572
CRRC Zhuzhou Locomotive	5,742,786	57,065	–	5,799,851
CRRC Tangshan	8,462,469	–	–	8,462,469
CRRC Dalian	6,362,241	12,270	–	6,374,511
CRRC Qiqihar Group	8,794,071	–	–	8,794,071
CRRC Yangtze River Group	5,716,509	–	–	5,716,509
CRRC Asset Management	3,214,106	–	–	3,214,106
CRRC Qishuyan	2,411,044	–	–	2,411,044
CRRC Qishuyan Institute	2,254,296	–	–	2,254,296
CRRC Capital Management	2,511,188	–	–	2,511,188
CRRC Nanjing Puzhen	5,125,667	22,403	–	5,148,070
CRRC Hong Kong Capital Management	3,180,486	–	–	3,180,486
CRRC Construction Engineering	845,372	–	–	845,372
CRRC Yongji Electric	2,292,988	12,130	–	2,305,118
CRRC Sifang Institute	3,153,977	16,215	–	3,170,192
CRRC Finance	3,348,213	–	–	3,348,213
CRRC Zhuzhou Electric	1,365,677	10,200	–	1,375,877
CRRC Ziyang	1,061,086	–	–	1,061,086
CRRC Beijing Nankou	727,412	–	–	727,412
CRRC Datong	1,313,207	–	–	1,313,207
CRRC Dalian R&D	196,206	–	–	196,206
CRRC Dalian Institute	818,907	448,000	–	1,266,907
CRRC Logistics	630,196	24,000	–	654,196
CRRC Industrial Institute	228,000	11,220	–	239,220
CRRC International	682,337	1,880,000	–	2,562,337
CRRC Information Technology	288,125	375,730	–	663,855
CRRC Financial Leasing	2,430,000	–	(2,430,000)	–
CRRC Sifang Vehicles	5,672,011	838,072	–	6,510,083
CRRC Qihang New Energy Technology	–	180,000	–	180,000
Other subsidiaries	1,616,775	–	(712,442)	904,333
Total	104,311,230	3,933,305	(3,142,442)	105,102,093

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XVIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

3 Long-term equity investments *(continued)*



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XVIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

4 Revenue and operating cost *(continued)*

(2) Details of revenue from contracts

RMB'000

Type of contract	Rail transit equipment and extended products and services	Total
By geographical regions		
Mainland China	395,818	395,818
Other countries and regions	–	–
Total	395,818	395,818

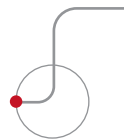
5 Investment income

RMB'000

Item	January – December 2023	January – December 2022
Income from long-term equity investments accounted for using cost method	7,795,142	6,740,771
Income from long-term equity investments accounted for under equity method	23,445	87,814
Investment income from disposal of long-term equity investments	871,349	9,233
Others	–	6,615
Total	8,689,936	6,844,433

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023



XVIII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

6 Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Supplementary information	Accrued during the period	Accrued during the prior period
		RMB'000
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	8,271,776	6,477,083
Credit losses	7,189	(3,391)
Depreciation of fixed assets	6,253	6,344
Depreciation of right-of-use assets	23,201	12,547
Amortisation of intangible assets	22,842	22,864
Losses from disposal of fixed assets	1,002	–
Financial expenses	49,942	5,387
Investment income	(8,689,936)	(6,844,433)
Decrease in operating receivables	1,396,409	464,393
Increase in operating payables	(1,402,771)	(217,502)
Net cash flows generated from operating activities	(314,093)	(76,708)
2. Net changes in cash and cash equivalents		
Closing balance of cash and cash equivalents	15,718,647	16,251,079
Less: Opening balance of cash and cash equivalents	16,251,079	9,653,682
Net increase in cash and cash equivalents	(532,432)	6,597,397

(2) Composition of cash and cash equivalents

Item	Accrued during the period	Accrued during the prior period
		RMB'000
I. Cash	15,718,647	16,251,079
Including: Cash on hand	–	–
Bank deposits available on demand	15,718,647	16,251,079
II. Cash equivalents	–	–
III. Closing balance of cash and cash equivalents	15,718,647	16,251,079

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

XIX. SUPPLEMENTARY INFORMATION

1 Breakdown of non-recurring gain or loss

RMB'000

Item	Amount	Note
Profit or loss on disposal of non-current assets	408,456	/
Government grants recognised in profit or loss (other than grants which are closely related to the Company's business and are based on defined criteria, and have a continuous impact on the Company's profit or loss in accordance with the national standard)	1,558,417	/
One time expenses incurred by the enterprise due to the discontinuance of relevant business activities, such as staff compensation cost	(193,124)	/
Gains or losses from debt restructuring	128,490	/
Changes in fair value of financial assets and liabilities held by non-financial companies, and disposal of financial assets and liabilities, other than those held for effective hedging related to normal operations	443,569	/
Profit and loss from disposal of subsidiaries' assets	594,504	/
Other profit and loss items that meet the definition of non-recurring profit and loss	337,129	/
Other non-operating income and expenses besides items above	216,817	/
Tax effect	(554,133)	/
Effects attributable to minority interests	(334,867)	/
Total	2,605,258	/

Reason for defining items as non-recurring gain or loss items according to Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.1 – Non-recurring Gain or Loss, and reasons for defining non-recurring gain or loss items illustrated in information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 – Non-recurring Gain or Loss as recurring gain or loss items should be specified.

2 Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary equity shareholders	7.41	0.41	0.41
Net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	5.77	0.32	0.32

Chairman: Sun Yongcai
Board of Directors' Approval of Submission Date: March 28, 2024



Articles of Association	the Articles of Association of the Company
A Share(s)	the Company's domestic share(s) listed on the Shanghai Stock Exchange
Board	the board of directors of the Company, unless the context requires otherwise
Board of Supervisors	the board of supervisors of the Company, unless the context requires otherwise
China United Insurance	China United Insurance Holding Corporation (中華聯合保險集團股份有限公司)
CNR	former China CNR Corporation Limited (中國北車股份有限公司)
CNRG	former China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司)
CRRC Changchun	CRRC Changchun Railway Vehicles Co., Ltd. (中車長春軌道客車股份有限公司)
CRRC Dalian	CRRC Dalian Locomotive & Rolling Stock Co., Ltd. (中車大連機車車輛有限公司)
CRRC Financial and Securities	CRRC Financial and Securities Investment Co., Ltd. (中車金證投資有限公司)
CRRCG or CRRC GROUP	CRRC GROUP Co., Ltd. (中國中車集團有限公司)
CRRC or Company	CRRC Corporation Limited (中國中車股份有限公司)
CRRC Harbin	CRRC Harbin Rolling Stock Co., Ltd. (中車哈爾濱車輛有限公司)
CRRC Hongkong	CRRC Hongkong Co., Ltd. (中國中車(香港)有限公司)
CRRC ITET	CRRC ITET Co., Ltd. (中車智能交通工程技術有限公司)
CRRC Nanjing Puzhen	CRRC Nanjing Puzhen Co., Ltd. (中車南京浦鎮車輛有限公司)
CRRC Qiche Group	CRRC Qiche Group Co., Ltd. (中車齊車集團有限公司)
CRRC Qiqihaer	CRRC Qiqihaer Rolling Stock Co., Ltd. (中車齊齊哈爾車輛有限公司)
CRRC QSYRI	CRRC Qishuyan Institute Co., Ltd. (中車戚墅堰機車車輛工藝研究所股份有限公司), former CRRC Qishuyan Institute Co., Ltd. (中車戚墅堰機車車輛工藝研究所有限公司)
CRRC Sifang	CRRC Qingdao Sifang Co., Ltd. (中車青島四方機車車輛股份有限公司)
CRRC Tangshan	CRRC Tangshan Co., Ltd. (中車唐山機車車輛有限公司)
CRRC Yangtze	CRRC Yangtze Transport Equipment Group Co., Ltd. (中車長江運輸設備集團有限公司)
CRRC ZELRI or Zhuzhou Institute	CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd. (中車株洲電力機車研究所有限公司)



Definitions

CRRZ Zhuzhou Electric	CRRZ Zhuzhou Electric Co., Ltd. (中車株洲電機有限公司)
CRRZ Zhuzhou	CRRZ Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司)
CSR	former CSR Corporation Limited (中國南車股份有限公司)
CSR and CNR	CSR and CNR
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
CSRG	former CSR Group (中國南車集團公司)
Director(s)	director(s) of the Company, unless the context requires otherwise
Finance Company	CRRZ Finance Co., Ltd. (中車財務有限公司)
Financial Leasing Company	CRRZ Financial Leasing Co., Ltd. (中車金融租賃有限公司)
Group	the Company and its subsidiaries
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
H Share(s)	the Company's foreign share(s) listed on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Hong Kong Listing Rules
SASAC	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
Senior Management	senior management of the Company, unless the context requires otherwise
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shandong Wind Power	CRRZ Shandong Wind Power Co., Ltd. (中車山東風電有限公司)
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	supervisor(s) of the Company, unless the context requires otherwise
Times Electric	Zhuzhou CRRZ Times Electric Co., Ltd. (株洲中車時代電氣股份有限公司)
Times New Material	Zhuzhou Times New Material Technology Co., Ltd. (株洲時代新材料科技股份有限公司)

Company Profile



CHINESE NAME	中國中車股份有限公司
ENGLISH NAME	CRRC Corporation Limited
REGISTERED OFFICE	No. 16 Central West Fourth Ring Road, Haidian District, Beijing 100036, the PRC
BUSINESS ADDRESS OF THE HEAD OFFICE	No. 16 Central West Fourth Ring Road, Haidian District, Beijing 100036, the PRC
PRINCIPAL PLACE OF BUSINESS IN HONG KONG	Unit 4601, 46/F., Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong
LEGAL REPRESENTATIVE	Sun Yongcai
EXECUTIVE DIRECTORS	Sun Yongcai Ma Yunshuang Wang An
NON-EXECUTIVE DIRECTOR	Jiang Renfeng
INDEPENDENT NON-EXECUTIVE DIRECTORS	Shi Jianzhong Weng Yiran Ngai Ming Tak
AUTHORIZED REPRESENTATIVES	Ma Yunshuang Xiao Shaoping
JOINT COMPANY SECRETARIES	Wang Jian Xiao Shaoping
SECRETARY TO THE BOARD	Wang Jian
SECURITIES REPRESENTATIVE	Jin Yonggang
TELEPHONE FOR INFORMATION INQUIRY	(8610) 5186 2188
FAX	(8610) 6398 4785
WEBSITE	http://www.crrcgc.cc/
E-MAIL ADDRESS	crrc@crrcgc.cc
H SHARE REGISTRAR	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong



Company Profile

PLACES OF LISTING	The Stock Exchange of Hong Kong Limited Shanghai Stock Exchange
STOCK NAME	中國中車(CRRC)
STOCK CODE	1766 (Hong Kong) 601766 (Shanghai)
INDEPENDENT AUDITOR	KPMG Huazhen LLP Certified Public Accountants 8/F, Tower E2, Oriental Plaza 1 East Chang'an Avenue Dongcheng District Beijing, PRC
LEGAL ADVISERS	As to Hong Kong laws: Baker & McKenzie 14th Floor, One Taikoo Place 979 King's Road Quarry Bay Hong Kong As to PRC laws: Jia Yuan Law Firm F408 Ocean Plaza 158 Fuxing Men Nei Avenue Beijing the PRC