

CRSC Value and Return Enhancement Action Plan (2024)

In order to actively implement the investor-oriented philosophy, in response to the call of the SSE's Science and Technology Innovation Board, China Railway Signal & Communication Corporation Limited (hereinafter referred to as "the Company" or "CRSC") develops this plan from operations management, corporate governance, disclosure of information, and investor returns in the light of the stage of development of the enterprise, the characteristics of the industry, and investors' demands. This plan aims to improve the quality of listed companies held by the central enterprises, and seeks to create more value for investors and strengthen investor returns.

The Company's Leading Group for Quality and Efficiency Improvement will actively organize the implementation of this plan at all levels throughout the group of CRSC, and promote it in concert with the implementation of the Company's 14th Five-Year Plan for Development, the efforts to expedite the construction of a world-class enterprise, and the improvement of the quality of listed companies.

CRSC's main measures to "improve quality and efficiency and increase returns" are as follows:

I. CRSC will Deeply Explore the Main Industry to Cultivate Advantages, and Put Forth Effort to Enhance Its Ability to Create Enterprise Value.

Focusing on the main responsibilities and main business, we will develop the real economy, and constantly consolidate the foundation of development, so as to have more prominent main business and more obvious competitive strengths. We will adhere to the orientation of serving the national strategy, promote the high-end, intelligent and green transformation of rail transportation, give full play to the advantages of the "three-in-one" services in the full industry chains, and maintain the leading position in the industry around the globe. In 2024, we will strive to achieve a steady improvement in economic efficiency, return on net assets, overall labour productivity, and operating cash ratio.

1. Innovation in newly expanded markets will be strengthened, and the leading edge will be expanded. We will strengthen the market development efforts and resource investment, conduct in-depth research and analysis, and make plans for market operation in advance. As projected, the Company's market size of high-speed railway weak electricity system integration in 2024 will not be smaller than that in 2023, and the peak bidding period will be concentrated in the second quarter and the fourth quarter. The company will make every effort to ensure that stable market share at a high level. In the field of urban transit control system, it is expected that in 2024, there will be more than 20 new/extended lines of approximately 800 kilometers for signaling system bidding. The Company will actively strive to stabilize the contract undertaking scale. We will strengthen high-end and differentiated competitive strengths in rail transportation, actively develop "system, product, construction + operation and maintenance" mode. In the meantime, relying on joint ventures and cooperation and other means, we will seize the large regional markets, establish the first-mover advantage of high-speed rail overhaul and transformation market, seize the incremental opportunity of urban express rail, and expand the new construction and renewal of general railway and the market share of the newly-built subway, explore the opportunity

of contracting the “Four Electric Systems” business of the newly-built high-speed railway, promote the operation and maintenance business to form scale, and strive for the steady growth of the business scale.

2. Efforts will be made to strengthen the control over costs and expenses and accounts receivable, and to enhance the quality of operating efficiency. We will strengthen the rigid constraints of the budget, strictly control the expenses, increase the efforts to reduce costs and save expenses in the whole industry chain and value chain, expedite the progress in the construction of the information system that integrates industry and finance, and solidly promote the control of all-factor costs. We will continuously promote differentiated and penetrating control work, fully consider customer credit, solvency and risk factors, and establish a negative list for project contracting, so as to control risks from the source. We will continue to carry out the special management of accounts receivable, strengthen the process monitoring and early warning, and actively pursue recoveries in conjunction with project cleanup. Also we will improve the level of information management and control. With financial sharing as an opportunity, we will advance the integration of business and finance and continue to promote the digitization of business front end, and realize the automated capital income and expenditure planning and real-time early warning of overdue receivables. The target of accounts receivable backlog control will be incorporated into the contractualised assessment of the management and the assessment of the head of the enterprise, and a special incentive policy for accounts receivable clearance will be formulated. Efforts will be made to keep the return on net assets of each secondary enterprise above the comparable level in the same industry in the market, and to further improve the return on net assets of the Company.

3. Lean financial management will be performed to improve value for money. We will speed up the efforts to build the treasury system, strengthen the lean management of funds, scientifically develop fund budgets, rationally arrange fund positions, promote the convergence of fund budgets and business plans, give full play to the advantages of centralized funds, and continuously improve the effectiveness of fund utilization. Combined with the special cleanup of bank accounts, we will increase efforts to clean up inefficient and ineffective bank accounts, improve the promotion of direct linkage between banks and enterprises, and continue to enhance the concentration of funds. We will reasonably allocate budget resources. Specifically, in the allocation of funds and other financial resources, we will focus on key projects, control resources allocated for conventional business, attach importance to efficiency, and focus on the main responsibilities of the main business. For strategic emerging business, we will increase the allocation of financial resources, promote the development of the industry by investment, mergers and acquisitions, industrial funds and other means, and enhance the efficiency of resource allocation.

II. CRSC will Play the Role as an Innovative Subject and Promote Self-reliance and Strength in Technology at a High Level

We will fully grasp the new situation and new requirements of deepening reform, strengthen the Company’s principal status in technological innovation, and play the leading role to serve the overall situation of national technological innovation. We will speed up efforts to aggregate innovative elements, promote the transformation of original achievements, strive to optimize the innovation ecosystem, and firmly grasp the major key core technologies in

our own hands. In 2024, CRSC will continue to increase its investment in R&D. The intensity of R&D investment is expected to reach 5% and above, and by the end of 2024, CRSC is expected to have at least 5,000 authorized patents, of which at least 3,000 ones are invention patents.

1. Independent innovation capacity will be enhanced. As a national team of technological innovation, we have gathered forces to carry out original and leading technological research, and have made every effort to complete a number of national major research tasks and key R&D projects. CRSC serves the development trend of rail transportation with its own innovative technology, and plans to carry out no less than 800 R&D projects in 2024. For example, to meet the needs of the future collaborative development of urban agglomerations, the Company has independently developed the collaborative transportation and service system of regional rail transportation. This system can be used to build the strongest “smart brain” of the regional rail transportation, which displays real-time projection of passenger flow, train flow and facilities and equipment situation, provides cooperative preparation and dynamic adjustment of the transportation plan of the whole network, and strengthens the comprehensive guarantee and linkage response and disposal, so as to realize the new change of regional rail transit and promote the high-quality development of urban agglomerations. In order to support the need to “foster several modern metropolitan areas with a high degree of urban integration”, the Company has carried out the integrated research of multi-mode control systems in accordance with the needs of urban (suburban) railroads in different regions, and has completed the development of compatible on-board equipment, and the field tests for 3-minute automatic turnback and 20-second automatic manipulative side change functions of the CTCS2+ATO system in urban railways. For the control system for high-speed railway train with a speed above 400 km, the Company develops system solutions and key technical equipment for two application scenarios of new high speed railway for trains with speed above 400 km/hour and speed upgrading of existing lines, so as to enrich and expand China’s basic theories of high-speed railway train control technology and engineering practical experience. In order to meet the growing demand for capacity of heavy railway in China, the Company independently develops the integrated dispatching and command management system for railway freight transport and independently develops the self-grouping high-density automatic operation control system of heavy freight trains based on China’s high-speed railway control and self-driving technology, which enhances the transportation efficiency, taps the potential of driving, improves the operation quality of freight trains, reduces the labor intensity of drivers and the energy consumption of transportation, and significantly improves the comprehensive efficiency of freight railway transportation.

2. More efforts will be invested to develop the innovation capacity system. We will build a curator of original technology for rail transportation safety control system to support the accelerated development of national rail transportation safety control technology. We also will strengthen the functional positioning of the technological innovation platform, better serve the core business and strategic objectives of enterprises, and add one new national enterprise technology center in 2024.

Steady efforts will be made to increase investment in technology and innovation. More R&D funds will be input for original leading technology research, with R&D-based core

sub-enterprises investing no less than 10% in basic, forward-looking, original and leading research.

3. The application of technological innovation results will be accelerated. High-quality sustainable development with high-performance results will be promoted. We will work with users to carry out diversified technological innovation cooperation, so as to promote the industrialization and transformation of technological achievements, and support the accelerated development of new quality forces. According to the on-site tests conducted by Shenhua Group, the heavy-duty group operation control system meets the main technical indexes of group control; and intelligent yard system completes the commercial application at Mohan Station. For Train Autonomous Control System (TACS), the 30-train high-speed train test for Shanghai Line 3 & 4 will be completed; for C2+ATO system, the passenger trial operation of Shanghai Urban Railway Airport Line will be completed; for Railway Intelligent Integrated Operation and Maintenance System, the application demonstration of Wuhan Railway Bureau will be completed; for Fully Automatic Operation (FAO) train control system for urban railways with the function of flexible grouping, Beijing Subway Line 12 will be opened.

4. The ecology of technological innovation work will be optimized. We will strengthen international technological innovation exchanges, and deeply participate in the activities of international organizations with respect to rail transportation control and the formulation of standards. We will continuously optimize the management system for R&D projects, and give full play to the leading role of experts and talent in innovation. Meanwhile, we will optimize the incentive mechanism, continue to strengthen the income distribution incentives after the transformation of results, select the relevant pilot enterprises and pilot results to carry out research on the application of “results of the transformation of excess profit dividends”, “patent operation and transformation” and other incubation and transformation modes. We will further authorize and decentralize the total wage bill of employees in enterprises in “scientific and technological system reform” and “double-hundred action”, further increase support for strategic emerging industries and future industrial layout, explore and improve the differentiated wage adjustment mechanism, explore more diversified medium- and long-term incentives, and realize optimized combination of a variety of short-, medium- and long-term incentives. Further efforts will be made to deeply implement the incentive mechanisms such as the “technology reward”, “horse racing” and “completely rationed research funds”.

III. CRSC will Promote Value Realisation and Enhance Investors' Sense of Gain.

We establish scientific market values, and strive to enhance the performance of the capital market to create a new situation of value realisation. Special actions will be carried out to improve the quality of listed companies, with a focus on shortcomings and weaknesses affecting high-quality development. We will apply categorized measures, make precise efforts, strengthen the quality internally and shape the image externally, striving to be an exemplary example of outstanding main business, excellent and strong development, perfect governance and honest operation in the capital market.

1. We will adhere to the implementation of a cash dividend policy with higher percentages. The Company is committed to actively providing stable returns for its shareholders. As considered and approved at the 20th meeting of the 4th Board of Directors of the Company,

it was proposed to distribute a cash dividend of RMB1.70 (inclusive of tax) for every ten shares to all shareholders for the year 2023, based on the total share capital registered as at the date of registration of shareholdings for the implementation of the equity distribution. As of 31 December 2023, the total share capital of the Company was 10,589,819,000 shares, on which basis the total proposed cash dividend would amount to RMB1,800 million (inclusive of tax), accounting for 51.77% of the Company's net profit attributable to shareholders of the listed company for the year 2023.

2. The controlling shareholder was encouraged to continue to implement the plan to increase their holdings. In January 2024, the Company's controlling shareholder, China Railway Signal & Communication Co., Ltd. (hereinafter referred to as "CRSC Group"), increased its shareholding of 3,659,000 A shares of the Company through the trading system of the Shanghai Stock Exchange by centralized bidding with its equity fund of approximately RMB15.68 million. After the increase, CRSC Group's shares account for approximately 0.03% of the total number of issued shares of the Company. The Company will actively follow and push CRSC Group to continue to implement the plan to increase its shareholding.

3. The mechanism for initiating market value maintenance measures will be strengthened. The Party Committee and the Board of Directors of the Company actively pay attention to the market situation and promote the implementation of measures such as extending the lock-up period of the controlling shareholder, increasing the shareholdings of the controlling shareholder and repurchasing in a timely manner, in the light of the performance of the capital market, so as to boost the market confidence, guide the value of listed companies to return to the intrinsic value in a reasonable manner, and facilitate the benign development of enterprises.

IV. CRSC will Value the Demands of Shareholders and Strengthen Communication with Investors.

We will adhere to the concept that communication creates value, actively communicate with investors and listen to their voices. We will attach importance to market feedback, reasonable guide expectations, convey the Company's value, increase the recognition of all parties, so that investors can get closer to us, be able to understand, see clearly and have confidence.

1. Result briefings will be held on a regular basis. The Company plans to hold three result briefings in 2024, widely inviting investors, especially small and medium-sized investors, industry analysts, media, among others. The chairman, president, and independent directors will attend the annual result briefing. The result briefings will be held flexibly in online and offline forms. Digital technology will be fully utilized to help us actively communicate and interact with investors through live streaming, video meeting, telephone meeting and other forms, so as to protect the legitimate rights and interests of various investors.

2. Communication activities will be conducted in an orderly manner. We will conduct online or offline investor exchanges through the "SSE Roadshow Center" platform and making appointments for online and on-site meetings. Investors can make an appointment by calling or emailing to the Company at ir@crsc.cn.

3. We will continue to carry out the activity of "Visit CRSC". In 2023, the Company participated in the SSE's "Visit Listed Companies" series activities in April and December, and in 2024, the Company will continue to invite investors to pay a visit to CRSC to learn more

about the Company's development planning, business operations, technology products, corporate culture and other aspects.

4. The mechanism for soliciting and giving feedback to investors will be improved. We will maintain investor relations, understand investors' demands, report investors' opinions and suggestions to the management and relevant business lines in a timely manner, study and develop relevant measures, and actively respond to them through information disclosure and other compliant means.

V. CRSC will Improve Corporate Governance and Effectively Enhance Its Effectiveness.

We will continuously promote in-depth the unification of strengthening the Party's leadership and improving corporate governance, and further improve the corporate governance mechanism with statutory authority and responsibility, transparency of authority and responsibility, coordinated operation, and effective checks and balances.

1. The Articles of Association will play a guiding role. The Company stipulates the conditions for independent directors in its Articles of Association and requires that independent directors shall account for not less than one-third of members of the Board of Directors, and that there shall be at least three independent directors. The independent directors should conscientiously perform their duties, express their opinions in a fair and objective manner, offer advice and suggestions for the development of the Company and safeguard the overall interests of the Company, focusing on matters closely related to the interests of small and medium-sized shareholders, such as the Company's connected transactions, external guarantees, use of raised funds, M&A and restructuring, major investment and financing activities, remuneration of senior management and profit distribution. The *Report on the Duty Performance of Independent Directors* will be published at the same time with the annual report to fully disclose the annual performance of independent directors. In accordance with the requirements of the *Measures for the Administration of Independent Directors of Listed Companies*, *Guidelines on the Articles of Association of Listed Companies* and other laws and regulations, we amended the *Articles of Association*, with the requirements of A+H listing on two exchanges taken into account.

2. Continuous efforts will be made to strengthen the building of the Board of Directors. We will strengthen the construction of the "1+5+1" platform, namely "the Board of Directors+ specialized committees and specialized meeting of independent directors" platform. The Company's Board of Directors has experienced members in complementary specialties and a diversified structure. The five special committees conduct in-depth and detailed prior research on matters in their respective fields, to assist the Board of Directors in improving the efficiency of its decision-making and the quality of its operations. A mechanism for the special meeting of independent directors will be established, the duties of the Audit and Risk Management Committee, the Remuneration and Evaluation Committee, and the Nomination Committee will be further adjusted, and efforts will be made to promote the coordinated operation of the Board of Directors, the special committees, and the special meeting of independent directors in their respective roles. Furthermore, we will continue to improve the mechanism for the management to exercise authority and perform their duties, so as to enhance operational vitality and improve management efficiency.

3. Support for the performance of duties by external directors will be strengthened. A multi-channel regular communication mechanism will be established for external directors to

open the Company's OA to view the Company's documents and notices, and to understand the Company's daily operation. The production and operation information will be notified to external directors on a monthly basis, and the communication meeting with external directors will be held every quarter. We will actively invite external directors to participate in the annual work conference and other important global meetings, and carefully plan and organize the research. In 2024, we plan to carry out collective research on external directors for more than three times, and individual research on them for several times, to realise the "full coverage" of research on external directors in each business segment and important sub-companies, and to provide convenience for external directors to grasp the enterprise developments in depth.

4. The Environmental, Social and Governance (ESG) working mechanism will be improved.

We will strive to make key core technology breakthroughs around the key industrial chain of the manufacturing industry, accelerate the R&D and promotion of application of cutting-edge technologies, such as new energy, artificial intelligence, green and low-carbon, and actively carry out scientific research projects on green environmental protection technologies, and popularize the use of new materials, new technologies and new processes. We will continuously promote energy-saving and carbon-reducing technologies for the main rail transportation industry, and adopt energy-saving ATO software upgrades for train operation devices in projects under construction to realize high-quality automatic driving, so as to save operating costs and reduce energy consumption. We will also regularly disclose ESG reports. Greater efforts will be invested to improve the Company's ESG professional governance capacity, risk management capacity, and to strengthen the research and application of new green energy-saving technologies and materials. We will establish and continuously improve the Company's environmental protection system, strengthen the management organization of important environmental factors, reduce and eliminate environmental incidents. All of our subsidiaries have passed ISO14001 Environmental Management System Certification, with certification rate reaching 100%. In 2024, through promoting photovoltaic projects, optimising product structure, energy-saving renovation, and building an energy online monitoring platform to reduce major power consumption, we expect to achieve a further reduction in the comprehensive energy consumption of RMB10,000 output value, and continue to reduce the greenhouse gas emissions of RMB10,000 output value (income) compared with that of 2023 (0.0183 tons).

5. Compliance management will be enhanced. The Company has always adhered to the compliance concept of "compliance starts from the senior management, all employees take the initiative to ensure compliance, and compliance creates value". We are endeavoring to build a value system in which the senior management members lead compliance and all employees practice compliance, and we continuously strengthen the "five-in-one" coordinated operation of law, compliance, risk, internal control, and policy management to provide solid legal protection for the Company's reform and development. The Chief Compliance Officer is deeply involved in the review and approval of major contracts and important decisions, and takes the lead in organizing the development of the compliance management system and the evaluation of the effectiveness of the compliance system. Through enterprise self-evaluation and on-site evaluation and inspection, problems and deficiencies in compliance work are identified, and the effectiveness of the operation of the

compliance management system is continuously enhanced through immediate and continuous rectification. In 2024, the compliance self-assessment of all subsidiaries will be completed.

VI. CRSC will Strengthen the Responsibility of “Key and Few Persons”.

We will communicate closely with the “key and few persons” such as the actual controller, controlling shareholder, shareholders holding shares of 5% or more, directors, supervisors and senior management members of the Company to track the fulfillment of commitments of the relevant parties, and to continuously strengthen the sense of responsibility and contract fulfillment of the relevant parties.

Directors, supervisors and senior management members of the Company will be organized to actively participate in the training related to the governance of listed companies, laws and regulations for not less than 15 hours per person, and to actively participate in the meetings and seminars of regulatory authorities, so as to strengthen mastery of the “key and few persons” on the relevant laws, regulations and professional knowledge of the capital market, and to continuously enhance their self-discipline and promote the high-quality development of the listed companies.

The Company will continue to evaluate the specific initiatives of the action plan "improve quality and efficiency and increase returns" and fulfill its information disclosure obligations in a timely manner. The Company's plans, work programs and related forecasts contained in this report are forward-looking statements that are not fait accompli and do not constitute commitments by the Company to investors, and investors are advised to be aware of the related risks.