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## **Hebei Yichen Industrial Group Corporation Limited\***

**河北翼辰實業集團股份有限公司**

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

**(Stock Code: 1596)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **FINANCIAL HIGHLIGHTS**

- Operating revenue amounted to approximately RMB1,258.3 million, representing a decrease of approximately 7.7% compared with that of 2021.
- Gross profit amounted to approximately RMB302.5 million, representing a decrease of approximately 27.3% compared with that of 2021.
- Total profit amounted to approximately RMB183.5 million, representing a decrease of approximately 35.5% compared with that of 2021.
- Net profit attributable to owners of the parent amounted to approximately RMB161.0 million, representing a decrease of approximately 34.6% compared with that of 2021; total comprehensive income for 2022 amounted to approximately RMB162.0 million, representing a decrease of approximately 34.8% compared with that of 2021.
- For the year ended 31 December 2022, the basic and diluted earnings per share amounted to approximately RMB0.18.

#### **FINAL DIVIDEND**

- The board of directors has proposed a final dividend of RMB0.0501 per share (tax inclusive) for the year ended 31 December 2022, with an aggregate amount of RMB44,981,784.

\* For identification purposes only

## FINANCIAL RESULTS

The board of directors (the “**Board**”) of Hebei Yichen Industrial Group Corporation Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”, “**we**” or “**us**”) for the year ended 31 December 2022 (the “**year under review**”), together with comparative figures for the year ended 31 December 2021 as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2022*

	<i>Notes</i>	<b>For the 12 months ended</b>	
		<b>2022</b>	<b>2021</b>
		<b>RMB(’000)</b>	<b>RMB(’000)</b>
I. Total operating revenue	5	<b>1,258,266</b>	1,363,645
II. Total operating cost	5	<b>1,128,981</b>	1,118,945
Including: Operating cost		<b>955,756</b>	947,636
Taxes and surcharges		<b>12,275</b>	9,411
Selling expenses		<b>18,693</b>	21,260
Management expenses		<b>79,716</b>	82,105
Research and development expense		<b>42,878</b>	44,637
Finance costs		<b>19,663</b>	13,896
Including: Interest costs		<b>21,118</b>	15,811
Interest income		<b>1,994</b>	2,693
Add: Other income		<b>1,583</b>	872
Investment gains		<b>41,009</b>	34,071
Including: Gains on investments in associates and joint ventures		<b>32,662</b>	31,957
Gain from change in fair value		<b>95,899</b>	21,766
Loss on credit impairment		<b>(45,866)</b>	(3,845)
Impairment loss of assets		<b>(37,581)</b>	(10,105)
Gains on disposal of assets		<b>–</b>	22
III. Operating profits		<b>184,329</b>	287,481
Add: Non-operating incomes		<b>28</b>	89
Less: Non-operating expenses		<b>882</b>	3,089
IV. Total profit		<b>183,475</b>	284,481
Less: Income tax expenses	6	<b>21,316</b>	36,005

**CONSOLIDATED INCOME STATEMENT (Continued)***For the year ended 31 December 2022*

		<b>For the 12 months ended</b>	
		<b>31 December</b>	
		<b>2022</b>	<b>2021</b>
	<i>Notes</i>	<b>RMB('000)</b>	<b>RMB('000)</b>
V. Net profit		<b>162,159</b>	248,476
(I) Classified according to continuity:			
1. Net profit from continuing operations		<b>162,159</b>	248,476
2. Net profit from discontinued operations			
(II) Classified according to equity holdings:			
1. Net profit attributable to owners of the parent		<b>161,032</b>	246,088
2. Profit and loss of minority interests		<b>1,127</b>	2,388
VI. Total other comprehensive income		<b>(124)</b>	–
Total comprehensive income attributable to owners of the parent		<b>(124)</b>	–
Changes in fair value of other equity instruments investment		<b>(124)</b>	–
Total comprehensive income attributable to minority interests		–	–
VII. Total comprehensive income		<b>162,035</b>	248,476
Total comprehensive income attributable to owners of the parent		<b>160,908</b>	246,088
Total comprehensive income attributable to minority interests		<b>1,127</b>	2,388
VIII. Earnings per share:			
Basic earnings per share (RMB)	7	<b>0.18</b>	0.27
Diluted earnings per share (RMB)		<b>0.18</b>	0.27

## CONSOLIDATED BALANCE SHEET

As at 31 December 2022

		31 December 2022	31 December 2021
	<i>Notes</i>	<i>RMB('000)</i>	<i>RMB('000)</i>
Current assets:			
Cash and bank balances		159,935	157,303
Financial assets held for trading		207,524	106,879
Notes receivable	8	67,339	68,754
Accounts receivable	9	1,308,659	1,026,503
Financing of receivables		2,717	6,361
Prepayments		38,045	31,293
Other receivables		12,466	8,104
Inventories		361,792	449,963
Contract assets		28,083	59,359
Other current assets		6,433	11,067
		<hr/>	<hr/>
Total current assets		2,192,993	1,925,586
		<hr/>	<hr/>
Non-current assets:			
Long-term equity investments		235,026	206,272
Other equity instruments investment		8,197	8,321
Fixed assets		645,348	480,676
Construction in progress		199,707	251,980
Right-of-use assets		599	1,199
Intangible assets		141,373	144,552
Goodwill		79,072	102,739
Deferred income tax assets		11,428	24,540
Other non-current assets		81,684	76,116
		<hr/>	<hr/>
Total non-current assets		1,402,434	1,296,395
		<hr/>	<hr/>
Total assets		3,595,427	3,221,981
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**CONSOLIDATED BALANCE SHEET (Continued)***As at 31 December 2022*

		<b>31 December 2022</b>	31 December
	<i>Notes</i>	<b>RMB('000)</b>	2021
			<i>RMB('000)</i>
Current liabilities			
Short-term borrowings		<b>182,640</b>	58,714
Notes payable	<i>10</i>	<b>73,801</b>	86,938
Accounts payable	<i>11</i>	<b>374,434</b>	378,801
Contract liabilities		<b>8,164</b>	7,665
Payroll payable		<b>6,179</b>	8,810
Tax payable		<b>11,991</b>	18,343
Other payables		<b>38,379</b>	48,925
Non-current liabilities due within one year		<b>218,127</b>	25,271
Other current liabilities		<b>5,469</b>	2,167
		<hr/>	<hr/>
Total current liabilities		<b>919,184</b>	635,634
		<hr/>	<hr/>
Non-current liabilities			
Long-term borrowings		<b>197,500</b>	219,500
Lease liabilities		<b>–</b>	627
Provision for liabilities		<b>452</b>	–
Deferred income		<b>4,711</b>	4,944
Deferred income tax liabilities		<b>314</b>	394
		<hr/>	<hr/>
Total non-current liabilities		<b>202,977</b>	225,465
		<hr/>	<hr/>
Total liabilities		<b>1,122,161</b>	861,099
		<hr/>	<hr/>
Owner's equity			
Share capital		<b>448,920</b>	448,920
Capital reserve		<b>813,227</b>	813,227
Other comprehensive income		<b>(124)</b>	–
Surplus reserve		<b>151,797</b>	137,535
Undistributed profits		<b>1,047,160</b>	950,041
Total equity attributable to owners of the parent		<b>2,460,980</b>	2,349,723
Minority interests		<b>12,286</b>	11,159
		<hr/>	<hr/>
Total owner's equity		<b>2,473,266</b>	2,360,882
		<hr/>	<hr/>
Total liabilities and owner's equity		<b>3,595,427</b>	3,221,981
		<hr/>	<hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

The Company was incorporated in the People's Republic of China (the "PRC") on 9 April 2001. The addresses of the Company's registered offices are No.1, Yichen North Street, Gaocheng District, Shijiazhuang City, Hebei Province, the PRC and No. 268 Lianzhou East Road, Gaocheng District, Shijiazhuang City, Hebei Province, the PRC.

The Group is principally engaged in research and development, manufacturing and sales of rail fastening system products, welding wire products and railway sleeper products.

On 21 December 2016, the H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The existing share capital of the Company is RMB448,920,000 and the total number of shares is 897,840,000 with a nominal value of RMB0.50 per share.

Unless otherwise stated, the financial information for the year ended 31 December 2022 is presented in Renminbi ("RMB") thousands.

The consolidated results for the year ended 31 December 2022 have not been audited by the auditors of the Company, but have been reviewed by the Audit Committee of the Company.

## 2 BASIS OF PREPARATION

These financial statements are prepared based on a going concern basis and based on actual transactions and events according to the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and relevant regulations (hereinafter collectively referred to as "PRC Accounting Standards"), as well as disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Hong Kong Companies Ordinance, and based on the accounting policies and estimates applicable to the Group.

## 3 SEGMENT INFORMATION

The Group's segment information is presented on the basis of internal reports that are regularly reviewed by the Group's Executive Committee (the chief operating decision maker), in order to allocate resources to the segments and assess their performance. For each of the Group's reportable segments, the Group's Executive Committee conducts at least one monthly review on its internal management reports.

The management has determined the reportable segments based on these reports. The Group determines its business from a product perspective:

- Rail fastening system products: research and development, manufacturing and sales of rail fastening system products
- Welding wire products: research and development, manufacturing and sales of flux cored wire and solid welding wire products
- Railway sleeper products: research and development, manufacturing and sales of railway sleeper products

The management defines segment results based on gross profit. Segment assets and liabilities are not regularly reported to the Group's chief operating decision maker and therefore information of reportable segment assets and liabilities is not presented. Information about the reportable segments and reconciliations of the reportable segments results is as follows:

The segment information for 2022 and 2021 is listed as follows:

Items	Rail fastening system		Welding wires	
	2022 RMB('000)	2021 RMB('000)	2022 RMB('000)	2021 RMB('000)
Total revenue	870,451	1,006,705	311,210	241,893
Inter-segment revenue	—	—	—	—
Revenue from external customers	<u>870,451</u>	<u>1,006,705</u>	<u>311,210</u>	<u>241,893</u>
Total operating cost	<u>(609,407)</u>	<u>(643,124)</u>	<u>(293,744)</u>	<u>(229,258)</u>
Segment gross profit	<u>261,044</u>	<u>363,581</u>	<u>17,466</u>	<u>12,635</u>
<b>Other profit or loss disclosure:</b>				
Depreciation and amortisation	28,210	19,117	10,086	4,593
Provisions for impairment of receivables	(43,363)	(1,212)	(617)	(540)
Impairment of inventories	(10,857)	(4,572)	(1,946)	(4,401)
Finance costs	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	Railway sleepers		Others	
	2022 RMB('000)	2021 RMB('000)	2022 RMB('000)	2021 RMB('000)
Total revenue	68,574	90,453	8,031	24,594
Inter-segment revenue	—	—	—	—
Revenue from external customers	<u>68,574</u>	<u>90,453</u>	<u>8,031</u>	<u>24,594</u>
Total operating cost	<u>(47,941)</u>	<u>(56,648)</u>	<u>(4,664)</u>	<u>(18,606)</u>
Segment gross profit	<u>20,633</u>	<u>33,805</u>	<u>3,367</u>	<u>5,988</u>
<b>Other profit or loss disclosure:</b>				
Depreciation and amortisation	3,500	3,087	260	467
Provisions for impairment of receivables	(2,692)	(2,720)	(39)	(20)
Impairment of inventories	(265)	(485)	—	—
Finance costs	—	—	19,663	13,896
	<u>—</u>	<u>—</u>	<u>19,663</u>	<u>13,896</u>

	<b>Total</b>	
	<b>2022</b>	2021
	<i>RMB('000)</i>	<i>RMB('000)</i>
Total revenue	<b>1,258,266</b>	1,363,645
Inter-segment revenue	—	—
Revenue from external customers	<b>1,258,266</b>	<b>1,363,645</b>
Total operating cost	<b>(955,756)</b>	(947,636)
Total gross profit	<b>302,510</b>	<b>416,009</b>
<b>Other profit or loss disclosure:</b>		
Depreciation and amortisation	<b>42,056</b>	27,264
Provisions for/(reversal of) impairment of receivables	<b>(46,711)</b>	(4,492)
Impairment of inventories	<b>(13,068)</b>	(9,458)
Finance costs	<b>19,663</b>	13,896

## 5 OPERATING REVENUE/OPERATING COST

Items	2022		2021	
	<i>RMB('000)</i>		<i>RMB('000)</i>	
	Revenue	Cost	Revenue	Cost
Revenue from principal business	<b>1,250,235</b>	<b>951,092</b>	1,339,051	929,030
Other operating revenue	<b>8,031</b>	<b>4,664</b>	24,594	18,606
Total	<b>1,258,266</b>	<b>955,756</b>	<b>1,363,645</b>	<b>947,636</b>

## 6 INCOME TAX EXPENSES

Items	2022	2021
	<i>RMB('000)</i>	<i>RMB('000)</i>
Current income tax expenses	<b>8,284</b>	35,990
Deferred income tax expenses	<b>13,032</b>	15
Total	<b>21,316</b>	<b>36,005</b>

Income tax expenses are derived from reconciliation of income tax calculated by applicable tax rates based on total profit in the consolidated income statement.

<b>Items</b>	<b>2022</b> <i>RMB('000)</i>	2021 <i>RMB('000)</i>
Total profit	<b>183,475</b>	284,481
Income tax expenses calculated by the applicable tax rates of the parent	<b>27,521</b>	42,672
Effect of different tax rates applicable to subsidiaries	<b>1,249</b>	789
Effect of adjusting income tax from prior periods	–	–
Effect of profits and losses attributable to joint ventures and associates	<b>(4,899)</b>	(4,794)
Effect of non-taxable income	<b>(35)</b>	(35)
Effect of non-deductible costs, expenses and losses	<b>3,910</b>	340
Effect of tax-exempt income	<b>(301)</b>	–
Effect of utilising provisions for impairment of unrecognised deferred income tax assets in prior periods	<b>(1)</b>	–
Effect of deductible temporary differences or deductible losses of unrecognised deferred income tax assets during the period	–	3
Additional deduction on research and development expense	<b>(3,406)</b>	(2,845)
Additional deduction on salaries of disabled employees	<b>(87)</b>	(93)
Tax deduction on environmental-friendly equipment	–	(32)
Changes in opening balances of deferred income tax assets due to tax rate adjustments	–	–
Changes in opening balances of deferred income tax liabilities due to tax rate adjustments	–	–
Additional deduction on fixed assets acquired by a high-tech company in the fourth quarter	<b>(2,633)</b>	–
Effect of utilising deductible losses of unrecognised deferred income tax assets in prior periods	<b>(2)</b>	–
Income tax expenses	<b>21,316</b>	36,005

## **7 EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the net profit attributable to owners of the parent of the Company by the weighted average number of ordinary shares in issue during the period.

<b>Items</b>	<b>2022</b> <i>RMB('000)</i>	2021 <i>RMB('000)</i>
Net profit attributable to owners of the parent of the Company	<b>161,032</b>	246,088
Weighted average number of ordinary shares in issue	<b>897,840</b>	897,840
Basic earnings per share ( <i>RMB per share</i> )	<b>0.18</b>	0.27

There were no potential dilutive ordinary shares for the years ended 31 December 2021 and 2022. Diluted earnings per share were equal to basic earnings per share.

## 8 NOTES RECEIVABLE

<b>Items</b>	<b>31 December 2022 RMB('000)</b>	31 December 2021 RMB('000)
Book balance of notes receivable	<b>69,323</b>	74,889
Less: Provision for bad debts	<b>1,984</b>	6,135
	<hr/>	<hr/>
Book value of notes receivable	<b>67,339</b>	68,754

Notes receivable consisted of bank acceptance notes and trade acceptance notes with average maturity periods within six months.

## 9 ACCOUNTS RECEIVABLE

### (a) Breakdown

<b>Items</b>	<b>31 December 2022 RMB('000)</b>	31 December 2021 RMB('000)
Book balance of accounts receivable	<b>1,502,835</b>	1,165,660
Less: Provision for bad debts	<b>194,176</b>	139,157
	<hr/>	<hr/>
Book value of accounts receivable	<b>1,308,659</b>	1,026,503

### (b) An ageing analysis of accounts receivable based on the accounting date is set out as follows

<b>Items</b>	<b>31 December 2022 RMB('000)</b>	31 December 2021 RMB('000)
Within 1 year	<b>902,146</b>	830,100
1 to 2 years	<b>380,351</b>	156,260
2 to 3 years	<b>73,476</b>	83,688
Over 3 years	<b>146,862</b>	95,612
	<hr/>	<hr/>
Total	<b>1,502,835</b>	1,165,660

Most of the accounts receivable are denominated in RMB, and their carrying amounts approximate their fair values.

**10 BILLS PAYABLE**

<b>Items</b>	<b>31 December 2022 RMB('000)</b>	<b>31 December 2021 RMB('000)</b>
Bills payable	<u>73,801</u>	<u>86,938</u>
Total	<u><b>73,801</b></u>	<u><b>86,938</b></u>

**11 ACCOUNTS PAYABLE****(a) Breakdown**

<b>Items</b>	<b>31 December 2022 RMB('000)</b>	<b>31 December 2021 RMB('000)</b>
Accounts payable	<u>374,434</u>	<u>378,801</u>
Total	<u><b>374,434</b></u>	<u><b>378,801</b></u>

**(b) An ageing analysis of accounts payable based on the accounting date is set out as follows**

<b>Items</b>	<b>31 December 2022 RMB('000)</b>	<b>31 December 2021 RMB('000)</b>
Within 1 year	<u>312,748</u>	<u>318,044</u>
Over 1 year	<u>61,686</u>	<u>60,757</u>
Total	<u><b>374,434</b></u>	<u><b>378,801</b></u>

**12 DIVIDENDS**

	<b>2022 RMB('000)</b>	<b>2021 RMB('000)</b>
Dividends paid/declared	<u><b>44,982</b></u>	<u><b>49,651</b></u>

- (i) The final dividend for the year ended 31 December 2021 amounting to RMB49,650,552 (approximately RMB0.0553 per share (tax inclusive)), was approved by the shareholders at the annual general meeting of the Company held on 31 May 2022 and paid in July 2022.
- (ii) Pursuant to a resolution of the Board on 30 March 2023, a dividend of approximately RMB0.0501 per share (tax inclusive) for the year ended 31 December 2022, which amounted to total dividend of RMB44,981,784, is proposed to be distributed at the annual general meeting of the Company to be held on 25 May 2023 and is subject to approval of the shareholders of the Company. The dividend payable was not reflected in these consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRIAL REVIEW AND ANALYSIS

In 2022, the triple pressure of shrinking domestic demand, supply shocks and weakening expectations, coupled with unexpected factors such as recurring outbreaks of COVID-19, high temperatures and drought, have brought significant impact. In response to the tough situation, the Chinese government adopted scientific and precise measures to prevent and control the pandemic, introduced a package of policies and measures to stabilise the economy in a timely manner, and made every effort to ensure stability of production and life. As a result, China withstood the pressure and made continuous development in its economy. In 2022, China's GDP reached RMB121 trillion, representing a year-on-year increase of 3.0%.

According to the working meeting of China State Railway Group Co., Ltd., in 2022, the fixed asset investments in national railways amounted to RMB710.9 billion and 4,100 km of new lines were put into operation, including 2,082 km of high-speed railways, fulfilling the annual task of railway construction successfully. By the end of 2022, the operational mileage of China's railways exceeded 155,000 km, of which 42,000 km were high-speed railways. During the year, railway projects in 102 key projects identified by the Outline of the national "Fourteen Five-Year Plan" have been smoothly rolled out, 26 projects such as the Beijing-Xiong'an-Shangqiu High-speed Railway (Xiong'an to Shangqiu section), Tianjin-Weifang High-speed Railway and Rujin-Meizhou Railway commenced construction and 29 railway projects such as Hotan-Ruoqiang Railway, Zhengzhou-Chongqing High-speed Railway (Xiangyang to Wanzhou section), Hefei-Hangzhou High-speed Railway (Huzhou to Hangzhou section), Yinchuan-Lanzhou High-speed Railway (Zhongwei to Lanzhou section) and Beijing Fengtai Station were completed and put into operation, which have given full play to the role of railway investment as a driver to boost investment in society as a whole.

At the same time, China's urban rail transit construction has maintained momentum of rapid development. According to the China Association of Metros, urban rail transit lines with mileage over ten thousand kilometers (amounting to 10,291.95 km) were put into operation in 55 cities across China (excluding Hong Kong, Macao and Taiwan regions) as of 31 December 2022. Throughout the year, there were 25 new urban rail transit lines with operational mileage of 1,085.17 km newly set up. During the year, the Company firmly captured the development opportunities of China's railway construction and actively participated in the construction of high-speed rail, heavy-haul rail and urban rail transit in various regions, ensuring the safe, stable and efficient operation of railways with high-quality products and services.

## **BUSINESS REVIEW**

The Group is a leading rail fastening system product provider in the PRC, with its major business focused on three business segments, including (1) rail fastening system products; (2) welding wire products; and (3) railway sleeper products. In 2022, total revenue of the Group amounted to approximately RMB1,258.3 million, representing a decrease of approximately 7.7%.

### **Rail Fastening System Products**

For the year ended 31 December 2022, the revenue from rail fastening system products amounted to approximately RMB870.5 million, accounting for approximately 69.2% of the Group's total revenue and representing a decrease of approximately 13.5% from revenue of approximately RMB1,006.7 million from this segment last year. This was resulted from the decrease in shipments of rail fastening system products due to the pandemic.

During the year under review, the cost of sales relating to rail fastening system products decreased by approximately 5.2% from approximately RMB643.1 million in 2021 to approximately RMB609.4 million in 2022, which was mainly attributable to lower costs resulted from decrease in revenue from rail fastening system products during the year.

As a result of decrease in revenue from rail fastening system products, gross profit of rail fastening system products decreased by approximately 28.2% from approximately RMB363.6 million in 2021 to approximately RMB261.1 million in 2022. The gross profit margin of rail fastening system products decreased from approximately 36.1% in 2021 to approximately 30% in 2022 due to change in product structure.

During the year under review, the Group's initial value of the agreements entered into on supplying rail fastening systems was approximately RMB1,172.7 million, representing a decrease of approximately 1.15% as compared to 2021. Specifically, the initial value of the agreements entered into on supplying high-speed rail fastening systems amounted to approximately RMB792.2 million, representing an increase of approximately 10.3% as compared to 2021; the initial value of the agreements entered into on supplying urban transit fastening systems amounted to approximately RMB196.0 million; the initial value of the agreements entered into on supplying heavy-haul rail fastening systems amounted to approximately RMB1.7 million; and the initial value of the agreements entered into on normal-speed rail fastening systems amounted to approximately RMB182.9 million. As of 31 December 2022, the backlog of the Group amounted to approximately RMB1,249.9 million (value-added tax included).

Under the support of national railway network development plans such as the Outline, it is expected that there will be growth in the Group's revenue from sales of rail fastening systems.

## **Welding Wire Products**

For the year ended 31 December 2022, the revenue from welding wire products amounted to approximately RMB311.2 million, accounting for approximately 24.7% of the total revenue of the Group and representing an increase of approximately 28.6% from approximately RMB241.9 million for the year of 2021. The change in revenue was mainly attributable to the increase in sales volume of flux cored wire products during the year under review and the addition of solid welding wire products during the year under review.

During the year under review, the cost of sales from welding wire products increased by approximately 28.1% to approximately RMB293.7 million in 2022 from approximately RMB229.3 million in 2021, which was mainly attributable to increase in sales volume of welding wire products during the year.

The Group's revenue from welding wire products was mainly generated from the sales to shipbuilding companies and trading companies engaging in the shipbuilding industry. The Group expects to continue to collaborate with its existing major customers, and anticipates that such customers will continue to contribute to a significant portion of revenue of welding wire products in the future.

## **Railway Sleeper Products**

For the year ended 31 December 2022, the revenue from railway sleeper products was approximately RMB68.6 million, accounting for approximately 5.5% of the Group's total revenue and representing a decrease of approximately 24.2% from approximately RMB90.5 million in 2021. The change in revenue was mainly attributable to the slowdown in project construction progress of downstream customers due to the pandemic during the year under review.

During the year under review, the cost of sales of railway sleeper products decreased by approximately 15.4% from approximately RMB56.6 million in 2021 to approximately RMB47.9 million in 2022, mainly attributable to decrease in sales volume of railway sleeper products.

## **PERFORMANCE ANALYSIS AND DISCUSSION**

### **Revenue**

The Group's business operations mainly comprise research and development, manufacturing and sales of rail fastening system products, welding wire products and railway sleeper products. The above business segments have brought sustained and stable revenue to the Group. In 2022, the revenue of the Group decreased to approximately RMB1,258.3 million from approximately RMB1,363.6 million in 2021, mainly as a result of decrease in revenue from rail fastening system products and railway sleeper products.

Revenue related to rail fastening system products decreased by approximately 13.5% to approximately RMB870.5 million in 2022 from approximately RMB1,006.7 million in 2021, which was attributable to decrease in shipments of rail fastening system products due to the pandemic.

Revenue related to welding wire products increased by approximately 28.6% from approximately RMB241.9 million in 2021 to approximately RMB311.2 million in 2022. The change in revenue from welding wire products was mainly attributable to the increase in sales volume of flux cored wire products during the year under review and the addition of solid welding wire products during the year under review.

Revenue related to railway sleeper products decreased by approximately 24.2% from approximately RMB90.5 million in 2021 to approximately RMB68.6 million in 2022. The change in revenue from railway sleeper products was mainly attributable to the slowdown in project construction progress of downstream customers due to the pandemic during the year under review.

Apart from revenue from sales of rail fastening system products, welding wire products and railway sleeper products, the Group also received other operating revenue from sales of raw materials, provision of product processing services as well as electricity sales business.

### **Operating Cost**

The Group's operating cost increased by approximately 0.9% to approximately RMB955.8 million in 2022 from approximately RMB947.6 million in 2021, representing a smaller change compared to last year.

Operating cost related to rail fastening system products decreased by approximately 5.2% to approximately RMB609.4 million in 2022 from approximately RMB643.1 million in 2021, which was mainly attributable to decrease in revenue from rail fastening system products during the year under review.

Operating cost related to welding wire products increased by approximately 28.1% to approximately RMB293.7 million in 2022 from approximately RMB229.3 million in 2021, which was mainly attributable to increase in sales volume of welding wire products during the year under review.

Operating cost related to railway sleeper products decreased by approximately 15.4% to approximately RMB47.9 million in 2022 from approximately RMB56.6 million in 2021, which was mainly attributable to decrease in the sales volume of railway sleeper products during the year under review.

## **Gross Profit**

Based on the aforesaid reasons, the Group recorded a gross profit of approximately RMB302.5 million in 2022, representing a year-on-year decrease of approximately 27.3% as compared to the gross profit of approximately RMB416.0 million in 2021, which was mainly due to decrease in revenue from rail fastening system products and railway sleeper products during the year.

Gross profit of rail fastening system products decreased by approximately 28.2% from approximately RMB363.6 million in 2021 to approximately RMB261.1 million in 2022, and the gross profit margin decreased from approximately 36.1% in 2021 to approximately 30% in 2022, which was mainly attributable to decrease in revenue of rail fastening system products and change in product structure during the year under review.

Gross profit of welding wire products increased by approximately 38.9% to approximately RMB17.5 million in 2022 from approximately RMB12.6 million in the same period of 2021. Gross profit margin increased from approximately 5.2% in 2021 to approximately 5.6% in the same period of 2022, which was mainly attributable to decrease in material cost of welding wire products.

Gross profit of railway sleeper products decreased by approximately 38.9% to approximately RMB20.7 million in 2022 from approximately RMB33.9 million in 2021. Gross profit margin decreased to 30.2% from approximately 37.5% in 2021, which was mainly attributable to decrease in revenue of railway sleeper products and changes in product structure.

## **Selling Expenses**

Selling expenses of the Group decreased to approximately RMB18.7 million in 2022 from approximately RMB21.3 million in 2021. For the years ended 31 December 2021 and 2022, selling expenses as a percentage of total revenue accounted for approximately 1.6% and 1.5%, respectively. The decrease in selling expenses was mainly attributable to decrease in product testing and certification fee.

## **Management Expenses**

Management expenses of the Group decreased to approximately RMB79.7 million in 2022 from approximately RMB82.1 million in 2021. For the years ended 31 December 2021 and 2022, management expenses as a percentage of total revenue accounted for approximately 6.0% and 6.3%, respectively. The decrease in management expenses was mainly due to the decrease in agency fees.

## **Research and Development Expenses**

Research and development expenses of the Group decreased to approximately RMB42.9 million in 2022 from approximately RMB44.6 million in 2021. The decrease in research and development expenses was mainly due to the decrease in research and development investment for the year under review. For the years ended 31 December 2021 and 2022, research and development expenses as a percentage of total revenue accounted for approximately 3.3% and 3.4%, respectively.

## **Finance Costs**

In 2022, the Group incurred total finance costs of approximately RMB19.7 million, representing a year-on-year increase of approximately 41.7% as compared to total finance costs of approximately RMB13.9 million in 2021. Under this category, interest income decreased by approximately 25.9% to approximately RMB2.0 million in 2022 from approximately RMB2.7 million in 2021. Interest costs increased by approximately 33.5% to approximately RMB21.1 million in 2022 from approximately RMB15.8 million in 2021. The increase in finance costs was mainly due to increase in interest costs during the year under review.

## **Investment Gains**

In 2022, the Group's total investment gains were approximately RMB41.0 million while the total investment gains were approximately RMB34.1 million in 2021, mainly due to the increase in investment gains from disposal of financial assets held for trading during the year under review. The Group recorded an aggregate of approximately RMB32.7 million in share of investment gains from associates and joint ventures in 2022, representing an insignificant change from such share of investment gains of approximately RMB32.0 million recorded in 2021.

## **Loss on Credit Impairment**

Loss on credit impairment of the Group increased to approximately RMB45.9 million in 2022 from approximately RMB3.8 million in 2021. For the years ended 31 December 2021 and 2022, loss on credit impairment as a percentage of total revenue accounted for approximately 0.3% and 3.6%, respectively. The increase in loss on credit impairment was mainly due to the increase in the bad debts provision of accounts receivable during the year.

## **Impairment Loss of Assets**

Impairment loss of assets of the Group increased to approximately RMB37.6 million in 2022 from approximately RMB10.1 million in 2021. For the years ended 31 December 2021 and 2022, impairment loss of assets as a percentage of total revenue accounted for approximately 0.7% and 3.0%, respectively. The increase in impairment loss of assets was primarily due to the increase in impairment loss of goodwill.

## **Total Profit**

Based on the aforesaid reasons, the Group recorded operating profit of approximately RMB183.5 million in 2022, representing a year-on-year decrease of approximately 35.5% as compared to operating profit of approximately RMB284.5 million recorded in 2021, which was mainly attributable to change in revenue structure and impairment loss of goodwill during the year.

## **Income Tax**

Income tax expenses of the Group decreased by approximately 40.8% to approximately RMB21.3 million in 2022 from approximately RMB36.0 million in 2021, which was mainly attributable to decrease in total profit for the year under review.

The applicable corporate income tax rate for the Company and its subsidiary Xingtai Juneng Railway Electrical Equipment Co, Ltd.\* (邢臺炬能鐵路電氣器材有限公司) was 15% for 2022. The applicable tax rates for other subsidiaries in Mainland China were 25% and 20% for 2022.

## **Net Profit**

Based on the aforesaid reasons, the net profit decreased by approximately 34.7% from RMB248.5 million in 2021 to approximately RMB162.2 million in 2022. Net profit margin decreased to approximately 12.9% for the year under review from approximately 18.2% for the year ended 31 December 2021, which was mainly attributable to the decrease in revenue and the increase in impairment loss of goodwill for the year.

## **Net Profit Attributable to Owners of the Parent**

The Group's net profit attributable to owners of the parent amounted to approximately RMB161.0 million in 2022, representing a decrease of approximately 34.6% from approximately RMB246.1 million in 2021. In 2022, basic earnings per share amounted to approximately RMB0.18, representing a decrease from that of 2021.

## **Financial Resources and Capital Structure**

As at 31 December 2022, the Group had cash and cash equivalents of approximately RMB77.0 million, accounts receivable of approximately RMB1,308.7 million, accounts payable of approximately RMB374.4 million, and outstanding borrowings of approximately RMB598.2 million. As at 31 December 2022, the above cash and cash equivalents included approximately RMB0.2 million equivalents of Hong Kong dollars.

As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB65.9 million, accounts receivable of approximately RMB1,026.5 million, accounts payable of approximately RMB378.8 million, and outstanding borrowings of approximately RMB303.5 million. As at 31 December 2021, the above cash and cash equivalents included approximately RMB0.8 million equivalents of Hong Kong dollars.

The Group usually satisfies its daily working capital requirements through self-owned cash and borrowings. In December 2016, the Company completed its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and issued a total of 224,460,000 H Shares. As at 31 December 2022, the outstanding borrowings of the Group included total short-term borrowings of approximately RMB182.6 million, total non-current liabilities of approximately RMB218.1 million due within one year and total long-term borrowings of approximately RMB197.5 million. The Group will promptly repay the aforesaid borrowings when due.

## **Total Assets**

As at 31 December 2022, the total assets of the Group were approximately RMB3,595.5 million, representing an increase of approximately RMB373.5 million or approximately 11.6% from those as at 31 December 2021, which was mainly attributable to the increase in accounts receivable at the end of the year.

## **Total Liabilities**

As at 31 December 2022, the total liabilities of the Group were approximately RMB1,122.2 million, representing an increase of approximately RMB261.1 million or approximately 30.3% from those as at 31 December 2021, mainly because of the increase in bank borrowings at the end of the year.

## **Total Equity**

As at 31 December 2022, the total equity of the Group was approximately RMB2,473.3 million, representing an increase of approximately RMB112.4 million from that as at 31 December 2021, which was mainly attributable to increase in total assets of the Group as at 31 December 2022.

## **Gearing Ratio**

The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as total shareholders' equity as shown in the consolidated balance sheet plus the aforementioned net debt.

As at 31 December 2022, the Group's gearing ratio was 17.4%, representing an increase of 8.3 percentage points as compared to 9.1% as at 31 December 2021, which was mainly attributable to increase in total borrowings at the end of the year.

## **Employees and Remuneration Policies**

As at 31 December 2022, the Group incurred total staff costs of approximately RMB109.1 million for 1,369 employees, representing a decrease of approximately RMB0.7 million or approximately 0.7% as compared to the same period of 2021, with an insignificant change.

The Group sets employee remuneration standards based on employees' qualifications, positions and average industry levels, and offers rewards based on the Group's operating performance and the performance of individual employees.

## **FUTURE PROSPECTS**

According to the working meeting of China State Railway Group Co., Ltd., in 2023, it will focus on enhancing the overall function and efficiency of railway network, emphasising the improvement in quality, energy and efficiency, promoting national priorities projects such as Sichuan-Tibet Railway in a high-quality manner, and completing the national railway investment task in an all-round manner. More than 3,000 km of new lines will be put into operation, including 2,500 km of high-speed railways.

In August 2022, the “Outline for Planning on Nation with Strong Railway-oriented Transport System in the New Era” (《新時代交通強國鐵路先行規劃綱要》) (the “**Outline**”) was issued by China State Railway Group Co., Ltd., which clarified the development blueprint of China’s railway in the next 30 years with a systematic top-down design. It states for the first time that China will be the first to achieve a modern railway system with safe and high-quality service, strong support and world-leading strength by 2035. As planned by the Outline, by 2035, it will take the lead in building a modern railway network that can achieve interconnection for domestic and international markets, multiple inter-regional roads, efficient connection of provincial capitals, quick access to prefectures and cities, basic coverage of counties and smooth connection of hubs; the national railway network will span about 200,000 km with approximately 70,000 km of high-speed railways, while cities with a population of more than 200,000 people will be covered by railways and cities with a population of more than 500,000 population will be accessible by high-speed railways.

As a leading rail fastening system and railway sleeper provider in the railway industry of China, the Group will keep abreast of the market development opportunities brought by the gradual optimisation of railway network towards the goal of becoming a strong power, carry out research and development actively and stimulate innovation, participate in the formulation and revision of standards, and strive to improve product quality and service standards, with the aim of providing high-standard, quality rail fastening system products and railway sleeper products. This will facilitate key projects such as the Sichuan-Tibet Railway, the Shanghai-Chongqing-Chengdu High-speed Railway, as well as contributing to the high-level construction and safe operation of railways in China. Meanwhile, the Group will also actively explore opportunities for vertical expansion in the industry and enhance the core competitiveness and profitability of the Group with a diversified product offering, so as to give back to Shareholders and investors.

## **RESPONSE TO THE PANDEMIC**

In 2022, the pandemic in China was characterised by high infection rate, fast and strong hidden spread, difficult prevention and control, as well as relatively low toxicity. The situation of pandemic prevention and control was complex with increased difficulty. Facing the severe situation of pandemic prevention and control, the Group has put the protection of its employees’ safety and health at the first place, while closely monitoring the situation of the pandemic, strictly executing various pandemic prevention and control work, implementing complete disinfection at production and office premises and conducting health check and other prevention and control measures. Meanwhile, the Group actively communicated with its customers and suppliers in order to make timely adjustments to its manufacturing and operation plans, which minimised the adverse impact from the pandemic.

On 7 December 2022, the State Council solemnly issued 10 measures for the pandemic prevention. Since then, the pandemic restrictions have been fully lifted in China.

## **EVENTS AFTER THE PERIOD**

There are no events causing significant impact on the Group from the balance sheet date to the date of this announcement.

## **PUBLIC FLOAT**

Based on the publicly available information to the Company and to the knowledge of the directors of the Company (the “**Directors**”), not less than 25% of the shares of the Company in issue are held by the public for the year ended 31 December 2022, in accordance with the requirement of the Listing Rules.

## **ANNUAL GENERAL MEETING**

The annual general meeting (the “**AGM**”) will be held on Thursday, 25 May 2023. Shareholders may refer to the notice and form of proxy of the AGM to be despatched by the Company for details regarding the meeting.

## **FINAL DIVIDEND**

The Board resolved to recommend the payment of a final dividend of RMB0.0501 per share (tax inclusive) for the year ended 31 December 2022 (the “**2022 Final Dividend**”) with an aggregate net amount of RMB44,981,784 to shareholders of the Company (the “**Shareholders**”) whose names appear on the Company’s register of members as at Thursday, 8 June 2023, subject to the approval by the Shareholders at the forthcoming AGM to be held on Thursday, 25 May 2023. Subject to the passing of the relevant resolution at the AGM, the 2022 Final Dividend is expected to be paid on or around 20 July 2023.

## **WITHHOLDING AND PAYMENT OF INCOME TAX ON BEHALF OF OVERSEAS SHAREHOLDERS**

According to the articles of association of the Company, dividends shall be denominated and declared in Renminbi. Dividends on domestic shares shall be paid in Renminbi and dividends on H shares shall be paid in foreign currencies. The relevant exchange rate shall be the average median rate as announced by the People’s Bank of China for one calendar week prior to the date of declaration of dividends.

In accordance with the tax laws and relevant requirements under taxation regulatory institutions of the PRC, the Company is required to withhold 10% enterprise income tax when it distributes the 2022 Final Dividend to all non-resident enterprise Shareholders (including HKSCC Nominees Limited, other nominees, trustees or other entities and organisations, who will be deemed as non-resident enterprise Shareholders) whose names appear on the H share register of members of the Company on Thursday, 8 June 2023.

Pursuant to the “Notice on the Tax Policies Related to the Pilot Program of Interconnection Mechanism for Transactions in the Shanghai-Hong Kong Stock Connect” (Cai Shui [2014] No.81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) (the “**Shanghai-Hong Kong Stock Connect Tax Policy**”) jointly issued by the Ministry of Finance of the PRC, the State Taxation Administration and China Securities Regulatory Commission, the dividends derived from the investment by a domestic corporate investor in stocks listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect will be included in its total income and subject to enterprise income tax according to the law. In particular, dividends received by resident enterprises in the Mainland which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to the law. In respect of the dividends received by domestic corporate investors, H share companies listed on the Stock Exchange will not withhold income tax on dividends for such corporate investors. The tax payable shall be reported and paid by the enterprises themselves.

As such, when distributing the 2022 Final Dividend pursuant to the register of members of domestic corporate investors as holders of H shares of the Company as at Thursday, 8 June 2023 provided by China Securities Depository and Clearing Corporation Limited (“**CSDC**”), the Company shall not withhold income tax on dividends for domestic corporate investors. The tax payable shall be reported and paid by the enterprises themselves.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Tentative Measures on Withholding and Payment of Individual Income Tax (《個人所得稅代扣代繳暫行辦法》), the Shanghai-Hong Kong Stock Connect Tax Policy (《滬港通稅收政策》) and other relevant laws and regulations and based on the Company’s consultation with the relevant PRC tax authorities, the Company is required to withhold and pay 20% of individual income tax for the Company’s individual H shareholders whose names appear on the H share register of members of the Company (the “**Individual H Shareholders**”).

Pursuant to the Shanghai-Hong Kong Stock Connect Tax Policy, for dividends received by domestic individual investors from the investment in H shares listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect, the H share companies listed on the Stock Exchange shall withhold individual income tax at a rate of 20%. For dividends received by domestic securities investment funds from the investment in shares listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect, it is subject to the individual income tax based on the same requirements in respect of such domestic individual investors.

As such, when distributing the 2022 Final Dividend pursuant to the register of members of domestic individual investors (including domestic securities investment funds) as holders of H shares of the Company as at Thursday, 8 June 2023 provided by CSDC, the Company shall withhold and pay individual income tax in accordance with the requirements mentioned above on behalf of the investors.

Pursuant to the “Notice on Matters concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045” (《關於國稅發[1993]045號檔廢止後有關個人所得稅徵管問題的通知》) (the “**Tax Notice**”) issued by the State Taxation Administration and the letter titled “Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies” issued by the Stock Exchange, the overseas resident individual shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions on the tax treaties between the countries where they reside and China and the tax arrangements between Mainland China and Hong Kong (Macau). The Company shall identify the residential status of Individual H Shareholders according to their registered addresses on the H share register of members of the Company on Thursday, 8 June 2023 (the “**Registered Address**”). The Company assumes no responsibility and disclaims any liabilities whatsoever in relation to the tax status or tax treatment of the Individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the Individual H Shareholders or any disputes over the withholding mechanism or arrangements. Details of the arrangements are as follows:

- For Individual H Shareholders who are Hong Kong or Macau residents or residents of another country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these Individual H Shareholders in the distribution of final dividend;
- For Individual H Shareholders who are residents of a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of these Individual H Shareholders in the distribution of final dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax preferential treatments under the Tax Notice. Qualified shareholders shall submit a letter of entrustment and all application materials as required under the Tax Notice to the Company’s H share registrar, Computershare Hong Kong Investor Services Limited, in a timely manner. The Company will then submit the above documents to competent tax authorities for their examination, and if and when approved, the Company will assist in refunding the excess amount of tax withheld and paid;
- For Individual H Shareholders who are residents of a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of these Individual H Shareholders in the distribution of final dividend; and
- For Individual H Shareholders who are residents of a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these Individual H Shareholders in the distribution of final dividend.

If the domicile of an Individual H Shareholder is not the same as the Registered Address or if the Individual H Shareholder would like to apply for a refund of the final excess amount of tax withheld and paid, he or she shall notify and provide relevant supporting documents to the Company on or before Thursday, 1 June 2023. Upon examination of the supporting documents by the relevant tax authorities, the Company will comply with the guidelines of the tax authorities to implement regulations and arrangements related to withholding and payment. Individual H Shareholders carry out the relevant procedures on their own or through representatives in accordance with the relevant requirements under the “Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties” (Guo Shui Fa [2015] No. 60) (《非居民納稅人享受稅收協定待遇管理辦法》(國稅發[2015]60號)) if they fail to provide the relevant supporting documents to the Company before the time limit stated above.

Shareholders are recommended to consult their tax advisers regarding the PRC, Hong Kong and other tax implications arising from their holding and disposal of H shares of the Company.

### **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the list of Shareholders who are entitled to attend and vote at the AGM to be held on Thursday, 25 May 2023, the register of members of the Company will be closed from Wednesday, 26 April 2023 to Thursday, 25 May 2023 (both days inclusive), during which no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on Thursday, 25 May 2023 are entitled to attend and vote at the AGM. Holders of H shares of the Company intending to attend and vote at the AGM shall lodge all share transfer documents together with the relevant H share certificates with the Company’s H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Tuesday, 25 April 2023 (Hong Kong time) for share transfer registration.

In order to determine the list of Shareholders who are entitled to the 2022 Final Dividend, the register of members of the Company will be closed from Friday, 2 June 2023 to Thursday, 8 June 2023 (both days inclusive), during which no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on Thursday, 8 June 2023 are entitled to the 2022 Final Dividend. Holders of H shares of the Company intended to receive the 2022 Final Dividend shall lodge all share transfer documents together with the relevant H share certificates with the Company’s H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Thursday, 1 June 2023 (Hong Kong time) for share transfer registration.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company for the year ended 31 December 2022.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

As a company listed on the Stock Exchange, the Company always strives to maintain a high level of corporate governance and has complied with all code provisions as set out in the “Corporate Governance Code” contained in Appendix 14 to the Listing Rules for the year ended 31 December 2022.

## **COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Company by the directors and supervisors of the Company. Upon making specific enquiries to all of the directors and supervisors of the Company, all directors and supervisors of the Company confirmed that for the year ended 31 December 2022, each of them had fully complied with the required standards set out in the “Model Code for Securities Transactions by Directors of Listed Issuers”.

## **AUDITOR**

The financial figures in respect of the Group’s consolidated financial statements and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group’s auditor, Pan-China Certified Public Accountant LLP (天健會計師事務所(特殊普通合夥)) (“PCCPA”), Certified Public Accountants, to the amounts set out in the Group’s consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by PCCPA in this respect did not constitute an audit, review or other assurance engagement in accordance with the Auditing Standards for Certified Public Accountants of China (《中國註冊會計師審計準則》), the Standards on Review Engagements for Certified Public Accountants of China (《中國註冊會計師審閱準則》) or the Standards on Other Assurance Engagements for Certified Public Accountants of China (《中國註冊會計師其他鑒證業務準則》) and consequently no assurance has been expressed by PCCPA.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the Group's 2022 annual results and the financial statements for the year ended 31 December 2022 prepared in accordance with the PRC Accounting Standards.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the HKEXnews website of the Stock Exchange at <http://www.hkexnews.hk> and on the website of the Company at <http://www.hbyc.com.cn>. The 2022 annual report containing all the information required by the Listing Rules will be despatched to the Shareholders in due course and will be published on the websites of the Company and the Stock Exchange.

By order of the Board  
**Hebei Yichen Industrial Group Corporation Limited\***  
**ZHANG Haijun**  
*Chairman*

Shijiazhuang, the PRC, 30 March 2023

*As at the date of this announcement, the Board comprises Mr. Zhang Haijun, Mr. Wu Jinyu, Mr. Zhang Lihuan, Mr. Zhang Chao and Ms. Ma Xuehui as executive Directors; Ms. Zheng Zhixing as a non-executive Director; and Mr. Jip Ki Chi, Mr. Wang Fujun and Mr. Zhang Liguang as independent non-executive Directors.*

\* *For identification purpose only*