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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

UNAUDITED INTERIM RESULTS

The board of directors (the “**Board**”) of Hebei Yichen Industrial Group Corporation Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023 (the “**period under review**”) (all amounts in RMB’000 unless otherwise stated), together with comparative figures as follows:

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023

| | Notes | For the six months ended 30 June | |
|--|-------|----------------------------------|---------------------------------|
| | | 2023 RMB('000) (Unaudited) | 2022 RMB('000) (Restated) |
| I. Total operating revenue | 9 | 542,641 | 645,970 |
| II. Total operating cost | | 507,417 | 571,620 |
| Including: Operating cost | 9 | 419,425 | 492,144 |
| Taxes and surcharges | | 7,480 | 5,928 |
| Selling expenses | | 9,700 | 8,689 |
| Management expenses | | 44,119 | 36,285 |
| Research and development expense | | 17,276 | 20,023 |
| Finance costs | | 9,417 | 8,551 |
| Including: Finance expenses | | 10,025 | 9,065 |
| Interest income | | 1,324 | 815 |
| Add: Other income | | 1,406 | 1,144 |
| Investment gains/(losses) | 10 | (47,930) | 17,093 |
| Including: Gains on investments in associates and joint ventures | | 18,539 | 15,114 |
| Gain/(loss) from changes in fair value | 11 | (28,059) | 5,842 |
| Loss on credit impairment | | (3,411) | (11,960) |
| Impairment loss of assets | | (6,389) | (3,638) |
| III. Operating profits/(losses) | | (49,159) | 82,831 |
| Add: Non-operating incomes | | 1,387 | 27 |
| Less: Non-operating expenses | | 122 | 246 |
| IV. Total profit/(total loss) | | (47,894) | 82,612 |
| Less: Income tax expenses | 12 | (14,400) | 8,329 |

CONSOLIDATED INCOME STATEMENT (Continued)*For the six months ended 30 June 2023*

| | | For the six months ended 30 June | |
|--|--------------|---|-------------------|
| | | 2023 | 2022 |
| | <i>Notes</i> | RMB('000) | RMB('000) |
| | | (Unaudited) | (Restated) |
| V. Net profit/(net loss) | | (33,494) | 74,283 |
| (I) Classified according to continuity: | | | |
| 1. Net profit/(net loss) from continuing operations | | (33,494) | 74,283 |
| 2. Net profit from discontinued operations | | – | – |
| (II) Classified according to equity holdings: | | | |
| 1. Net profit/(net loss) attributable to owners of the parent | | (33,914) | 73,455 |
| 2. Profit or loss of minority interests | | 420 | 828 |
| VI. Other comprehensive income after tax, net | | – | – |
| Other comprehensive income after tax attributable to owners of the parent, net | | – | – |
| (I) Other comprehensive income that cannot be reclassified to profit or loss | | – | – |
| (II) Other comprehensive income that will be reclassified to profit or loss | | – | – |
| VII. Total other comprehensive income | | (33,494) | 74,283 |
| Total comprehensive income attributable to owners of the parent | | (33,914) | 73,455 |
| Total comprehensive income attributable to minority interests | | 420 | 828 |
| VIII. Earnings per share: | | | |
| Basic earnings per share (<i>RMB</i>) | <i>13</i> | (0.04) | 0.08 |
| Diluted earnings per share (<i>RMB</i>) | | (0.04) | 0.08 |

CONSOLIDATED BALANCE SHEET

As at 30 June 2023

| | | 30 June 2023 | 31 December 2022 |
|-------------------------------------|--------------|-------------------------|---------------------|
| | | RMB('000) | RMB('000) |
| | <i>Notes</i> | (Unaudited) | (Restated) |
| Current assets | | | |
| Monetary capital | | 218,592 | 159,935 |
| Financial assets held for trading | | 54,268 | 207,524 |
| Notes receivable | 5 | 65,062 | 67,339 |
| Accounts receivable | 6 | 1,124,939 | 1,308,659 |
| Financing of receivables | | 7,419 | 2,717 |
| Prepayments | | 26,657 | 38,045 |
| Other receivables | | 9,886 | 12,466 |
| Inventories | | 409,675 | 354,921 |
| Contract assets | | 34,669 | 28,083 |
| Other current assets | | 32,345 | 6,433 |
| | | <hr/> | <hr/> |
| Total current assets | | 1,983,512 | 2,186,122 |
| | | <hr/> | <hr/> |
| Non-current assets | | | |
| Long-term equity investments | | 262,008 | 241,896 |
| Other equity instruments investment | | 8,197 | 8,197 |
| Fixed assets | | 663,267 | 645,348 |
| Construction in progress | | 190,683 | 199,707 |
| Right-of-use assets | | 370 | 599 |
| Intangible assets | | 140,056 | 141,373 |
| Goodwill | | 79,073 | 79,073 |
| Deferred income tax assets | | 28,807 | 11,432 |
| Other non-current assets | | 86,289 | 81,684 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 1,458,750 | 1,409,309 |
| | | <hr/> | <hr/> |
| Total assets | | 3,442,262 | 3,595,431 |
| | | <hr/> | <hr/> |

CONSOLIDATED BALANCE SHEET (Continued)*As at 30 June 2023*

| | | 30 June 2023 | 31 December 2022 |
|---|--------------|--|---------------------------------------|
| | <i>Notes</i> | RMB('000) (Unaudited) | RMB('000) (Restated) |
| Current liabilities | | | |
| Short-term borrowings | | 144,500 | 182,640 |
| Notes payable | 7 | 74,385 | 73,801 |
| Accounts payable | 8 | 373,102 | 374,434 |
| Contract liabilities | | 14,128 | 8,164 |
| Payroll payable | | 5,690 | 6,179 |
| Tax payable | | 10,403 | 11,991 |
| Other payables | | 62,550 | 38,379 |
| Non-current liabilities due within one year | | 214,842 | 218,127 |
| Other current liabilities | | 2,773 | 5,469 |
| Total current liabilities | | 902,373 | 919,184 |
| Non-current liabilities | | | |
| Long-term borrowings | | 140,200 | 197,500 |
| Provision for liabilities | | – | 452 |
| Deferred income | | 4,595 | 4,711 |
| Deferred income tax liabilities | | 300 | 314 |
| Total non-current liabilities | | 145,095 | 202,977 |
| Total liabilities | | 1,047,468 | 1,122,161 |
| Owner's equity | | | |
| Share capital | | 448,920 | 448,920 |
| Capital reserve | | 813,227 | 813,227 |
| Other comprehensive income | | (124) | (124) |
| Surplus reserve | | 151,797 | 151,797 |
| Undistributed profits | | 968,268 | 1,047,164 |
| Total equity attributable to owners of the parent | | 2,382,088 | 2,460,984 |
| Minority interests | | 12,706 | 12,286 |
| Total owner's equity | | 2,394,794 | 2,473,270 |
| Total liabilities and owner's equity | | 3,442,262 | 3,595,431 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Hebei Yichen Industrial Group Corporation Limited (the “**Company**”), together with its subsidiaries (collectively referred to as the “**Group**”).

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 six months ended 30 June 2023 is presented in Renminbi (“**RMB**”) thousands. The consolidated results for the six months ended 30 June 2023 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 AND ACCOUNTING POLICIES

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. CHANGES IN ACCOUNTING POLICIES ARISING FROM ALTERATION IN ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The Company has adopted the provision of “Accounting treatment of the deferred income tax relating to assets and liabilities arising from a single transaction to which initial recognition exemption does not apply” under Interpretation No.16 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance since 1 January 2023, and has made adjustments in accordance with the provision to single transactions to which such provision applies that occurred between the beginning of the earliest period presented in the financial statements in which such provision was first adopted and the first adoption date. For taxable temporary differences and deductible temporary differences arising from lease liabilities and right-of-use assets recognized at the beginning of the earliest period presented in the financial statements in which such provision was first adopted as a result of a single transaction to which the provision applies, as well as the recognition of provision for liabilities related to abandonment obligations and the corresponding related assets, in accordance with such provision and the provision under the Accounting Standards for Business Enterprises No. 18 – Income Tax, the cumulative effect amount would be adjusted to the opening retained earnings and other related financial statement items in the earliest period presented in the financial statements. The details of adjustments are as follows:

| Statement items subject to significant impact | Affected amount <i>RMB('000)</i> |
|---|--|
| Items in the balance sheet as at 31 December 2022 | |
| Deferred income tax assets | 4 |
| Undistributed profits | 4 |
| Items in the income statement during January to June 2022 | |
| Income tax expenses | -1 |

4. 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 welding wire products
- Railway sleeper products: research and development, manufacturing and sales of concrete 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 reportable segments results is as follows:

The segment information for January to June 2023 and January to June 2022 is listed as follows:

| Items | Rail fastening system | | Welding wires | |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | January to June 2023 RMB('000) | January to June 2022 RMB('000) | January to June 2023 RMB('000) | January to June 2022 RMB('000) |
| Total revenue | 305,328 | 450,515 | 185,292 | 152,930 |
| Inter-segment revenue | | | | |
| Revenue from external customers | 305,328 | 450,515 | 185,292 | 152,930 |
| Total operating cost | 201,834 | 318,586 | 178,478 | 143,806 |
| Segment gross profit | 103,494 | 131,929 | 6,814 | 9,124 |
| Other profit or loss disclosure | | | | |
| Depreciation and amortisation | 18,801 | 12,889 | 6,053 | 4,375 |
| Provision for loss on credit impairment | (1,026) | (11,659) | 175 | (206) |
| Provision for impairment loss of assets | (4,562) | (1,815) | (1,773) | (1,550) |
| Finance costs | – | – | – | – |

| Items | Railway sleepers | | Others | | Total | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | January to June 2023 | January to June 2022 | January to June 2023 | January to June 2022 | January to June 2023 | January to June 2022 |
| | RMB('000) | RMB('000) | RMB('000) | RMB('000) | RMB('000) | RMB('000) |
| Total revenue | 46,911 | 34,606 | 5,110 | 7,919 | 542,641 | 645,970 |
| Inter-segment revenue | | | | | | |
| Revenue from external customers | 46,911 | 34,606 | 5,110 | 7,919 | 542,641 | 645,970 |
| Total operating cost | 36,409 | 23,085 | 2,704 | 6,667 | 419,425 | 492,144 |
| Segment gross profit | 10,502 | 11,521 | 2,406 | 1,252 | 123,216 | 153,826 |
| Other profit or loss disclosure | | | | | | |
| Depreciation and amortisation | 2,034 | 1,666 | 313 | 227 | 27,201 | 19,156 |
| Provision for loss on credit impairment | (2,637) | (94) | 77 | (1) | (3,411) | (11,960) |
| Provision for impairment loss of assets | (54) | (273) | – | – | (6,389) | (3,638) |
| Finance costs | – | – | 9,417 | 8,551 | 9,417 | 8,551 |

5. NOTES RECEIVABLE

Breakdown

| Items | 30 June 2023 RMB('000) | 31 December 2022 RMB('000) |
|----------------------------------|------------------------------|----------------------------------|
| Book balance of notes receivable | 68,541 | 69,323 |
| Less: Provision for bad debts | (3,479) | (1,984) |
| Book value of notes receivable | <u>65,062</u> | <u>67,339</u> |

6. ACCOUNTS RECEIVABLE

(a) Breakdown

| Items | 30 June 2023 RMB('000) | 31 December 2022 RMB('000) |
|-------------------------------------|------------------------------|----------------------------------|
| Book balance of accounts receivable | 1,320,417 | 1,502,835 |
| Less: Provision for bad debts | (195,478) | (194,176) |
| Book value of accounts receivable | <u>1,124,939</u> | <u>1,308,659</u> |

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

| Items | 30 June 2023 <i>RMB('000)</i> | 31 December 2022 <i>RMB('000)</i> |
|---------------|-------------------------------------|---|
| Within 1 year | 789,533 | 902,146 |
| 1 to 2 years | 268,837 | 380,351 |
| 2 to 3 years | 110,671 | 73,476 |
| Over 3 years | 151,376 | 146,862 |
| Total | <u>1,320,417</u> | <u>1,502,835</u> |

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

7. BILLS PAYABLE

| Items | 30 June 2023 <i>RMB('000)</i> | 31 December 2022 <i>RMB('000)</i> |
|---------------|-------------------------------------|---|
| Bills payable | <u>74,385</u> | <u>73,801</u> |
| Total | <u>74,385</u> | <u>73,801</u> |

8. ACCOUNTS PAYABLE

(a) Breakdown

| Items | 30 June 2023 <i>RMB('000)</i> | 31 December 2022 <i>RMB('000)</i> |
|------------------|-------------------------------------|---|
| Accounts payable | <u>373,102</u> | <u>374,434</u> |
| Total | <u>373,102</u> | <u>374,434</u> |

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

| Items | 30 June 2023 <i>RMB('000)</i> | 31 December 2022 <i>RMB('000)</i> |
|---------------|-------------------------------------|---|
| Within 1 year | 303,563 | 312,748 |
| Over 1 year | 69,539 | 61,686 |
| Total | <u>373,102</u> | <u>374,434</u> |

9. OPERATING REVENUE/OPERATING COST

| Items | January to June 2023 | | January to June 2022 | |
|---------------------------------|----------------------|----------------|----------------------|----------------|
| | RMB('000) | | RMB('000) | |
| | Revenue | Cost | Revenue | Cost |
| Revenue from principal business | 537,531 | 416,721 | 638,051 | 485,477 |
| Other operating revenue | 5,110 | 2,704 | 7,919 | 6,667 |
| Total | <u>542,641</u> | <u>419,425</u> | <u>645,970</u> | <u>492,144</u> |

10. INVESTMENT GAINS/(LOSSES)

| Items | 30 June | 30 June |
|---|-----------------|---------------|
| | 2023 | 2022 |
| | RMB('000) | RMB('000) |
| Gains from long-term equity investment calculated under equity method | 18,539 | 15,114 |
| Gains on derecognition of financial assets measured at amortized cost | (71) | – |
| Investment gains from financial assets held for trading during the holding period | 366 | 2,004 |
| Investment losses from disposal of financial assets held for trading | (66,764) | – |
| Procedural fees for subscription of financial assets held for trading | – | (25) |
| Total | <u>(47,930)</u> | <u>17,093</u> |

11. GAINS AND LOSSES FROM CHANGES IN FAIR VALUE

| Items | 30 June | 30 June |
|-----------------------------------|-----------------|--------------|
| | 2023 | 2022 |
| | RMB('000) | RMB('000) |
| Financial assets held for trading | <u>(28,059)</u> | <u>5,842</u> |
| Total | <u>(28,059)</u> | <u>5,842</u> |

12. INCOME TAX EXPENSES

| Items | 30 June 2023 RMB('000) | 30 June 2022 RMB('000) (Restated) |
|------------------------------|---------------------------------------|--|
| Current income tax expenses | 2,989 | 11,969 |
| Deferred income tax expenses | (17,389) | (3,640) |
| Total | <u>(14,400)</u> | <u>8,329</u> |

13. EARNINGS PER SHARE

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

| Items | 30 June 2023 RMB | 30 June 2022 RMB (Restated) |
|---|---------------------------------|--------------------------------------|
| Total comprehensive income attributable to owners of the parent | (33,914) | 73,455 |
| Weighted average number of ordinary shares in issue | 897,840 | 897,840 |
| Basic earnings per share (RMB per share) | <u>(0.04)</u> | <u>0.08</u> |

There were no potential dilutive ordinary shares for the six months ended 30 June 2022 and 30 June 2023. Diluted earnings per share were equal to basic earnings per share.

14. DIVIDENDS

The Board of the Company did not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

A final dividend of RMB44,981,784 (approximately RMB0.0501 per share (inclusive of tax)) for the year ended 31 December 2022 was approved by the shareholders at the annual general meeting held on 25 May 2023 and paid in July 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Although the economy in 2023 is still experiencing relatively more unstable and uncertain factors, there are various conditions which are conducive to the development of our national economy, and its economic fundamentals remain positive in the long term. According to the data released by the National Bureau of Statistics, the GDP for the first half of the year increased by 5.5% year-on-year at constant prices.

In the first half of 2023, the fixed asset investments in national railways amounted to RMB304.9 billion, representing a year-on-year increase of 6.9%, providing strong support for boosting domestic demand, ensuring stable growth and securing the basic living needs of the people. During the period under review, the preliminary work for a batch of key projects was conducted at an accelerated pace, and the approvals for the feasibility studies of eight projects were finalised. The projects included the Shanghai-Chongqing-Chengdu High-speed Railway (Hefei-Wuhan Section), the Zhangzhou-Shantou High-speed Railway, the Weifang-Suqian High-speed Railway, the Huangtong-Baise Railway, the Pingliang-Qingyang Railway, the Shaoyang-Yongzhou Railway, the Wenshan-Mengzi Railway, the newly-built Zhengzhou South Railway Station and the relevant construction projects.

BUSINESS REVIEW

In the first half of 2023, after the economy and society had fully resumed normal operation, production demand recovered steadily. The service industries, which were hit rather heavily by the pandemic at the early stage, picked up their pace of recovery significantly. Both further drove economic growth momentum. In general, the economy has gradually shaken off the impact of the pandemic and got back on the track to normal growth. During the period under review, the Company actively communicated with customers and suppliers, and timely adjusted its production and operation plans based on changes in customer demand and market to effectively control the impact of external factors on business operations.

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. For the six months ended 30 June 2023, total revenue of the Group amounted to approximately RMB542.6 million, representing a year-on-year decrease of approximately 16.0%.

Rail Fastening System Products

For the six months ended 30 June 2023, the revenue from rail fastening system products amounted to approximately RMB305.3 million, accounting for approximately 56.3% of the Group's total revenue and representing a decrease of approximately 32.2% over the revenue of approximately RMB450.5 million from this segment for the same period of last year. The change in revenue was mainly attributable to the delay in delivery of rail fastening system products to customers as per their requests during January to June 2023.

For the period under review, the cost of sales relating to rail fastening system products decreased by approximately 36.7% from approximately RMB318.6 million for the first half of 2022 to approximately RMB201.8 million for the same period of 2023. The change in cost was mainly attributable to the decrease in revenue from rail fastening system products during the period under review.

For the period under review, the gross profit of rail fastening system products decreased by approximately 21.5% from approximately RMB131.9 million for the first half of 2022 to approximately RMB103.5 million for the same period of 2023. The gross profit margin of rail fastening system products increased from approximately 29.3% for the first half of 2022 to approximately 33.9% for the same period of 2023, which was mainly attributable to the decrease in cost of raw materials during January to June 2023.

As of 30 June 2023, the Group's initial contract value of agreements on supplying rail fastening systems amounted to approximately RMB770.3 million, representing an increase of approximately 42.1% from the same period of last year. The initial contract value of agreements on high-speed rail fastening systems amounted to approximately RMB646.3 million, representing an increase of approximately 97.0% compared with the same period of last year; the initial contract value of agreements on urban transit fastening systems amounted to approximately RMB74.6 million; and the initial contract value of agreements on normal speed rail fastening systems was approximately RMB49.4 million. As of 30 June 2023, the backlog of the Group amounted to approximately RMB1,704.6 million (value-added tax included).

Welding Wire Products

For the six months ended 30 June 2023, the revenue from welding wire products amounted to approximately RMB185.3 million, accounting for approximately 34.2% of total revenue of the Group and representing an increase of approximately 21.2% over revenue of approximately RMB152.9 million from this segment for the same period of last year. The increase was mainly attributable to the expansion of solid welding wire business by the Company and the growing market demand for welding wire during the first half of 2023.

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 will further expand its customer range on the basis of continuous collaboration with the existing major customers.

Railway Sleeper Products

For the six months ended 30 June 2023, the revenue from railway sleeper products was approximately RMB46.9 million, accounting for approximately 8.6% of the Group's total revenue and representing an increase of approximately 35.5% over revenue of approximately RMB34.6 million from this segment for the same period of last year. The increase was mainly attributable to the increase in revenue from its subsidiary Xingtai Juneng Railway Electrical Equipment Co., Ltd.* (邢臺炬能鐵路電氣器材有限公司) (“**Xingtai Juneng**”).

FUTURE PROSPECTS

As observed from the first half of 2023, China's stable growth policies have been gradually implemented, and incremental and stable growth policies are expected to be continuously introduced and implemented in the future. China's economy is expected to recover progressively in the second half of the year with the continuous support of stable growth policies.

In terms of railway construction, a leaders and cadres meeting of China State Railway Group Co., Ltd. ("**State Railway Group**") was held in Beijing on 17 July 2023. According to the State Railway Group, the railway department will, making reference to the requirements put forward at the work meeting of State Railway Group and the deployment requirements of the leading Party members groups, focus on the targeted goals, fulfill responsibilities, move ahead steadily and make efforts in all key areas of work in the second half of the year, in order to complete the annual targets and tasks in all aspects and to ensure the spirit of the 20th National Congress of the Communist Party of China ("**CPC**") and the deployment resolved by the CPC Central Committee are carried out in state railway enterprises, taking solid actions to bravely serve as a "locomotive" that supports the Chinese modernisation.

The meeting requires us to scientifically manage the scale and pace of railway planning and construction projects, fully complete the tasks in relation to railway construction investment and launch of new rail lines, continue to enhance the overall functioning of railway network and strengthen railway construction management, strive to build a modernised railway infrastructure system, accelerate the realisation of self-developed quality railway science and technology, make more breakthroughs in major projects; continue to strengthen the application of technology innovation in key areas of railway, give full play to the role of leading enterprises in railway science and technology innovation, and strive to build a modernised railway science and technology innovation system.

Looking ahead, the development of railway in China will enter a new stage, at which railway technologies of more advanced levels will be developed, the level of railway operation and management will be improved, the construction of a unified national high-speed railway network will be realised, and the provision of efficient, safe and quality transport services will be achieved. Intelligentisation and informatisation will also be further developed, and the overall quality of railway operation will be enhanced. All of which will help facilitate economic and societal development. As a leading provider of rail fastening system in the railway industry of China, the Group will capture the market development opportunities under the goal of building up a strong nation of transit, by adhering to the core concept of producing high-quality products of rail fastening system and railway sleeper, focusing on the improvement of product quality and service standard, so as to contribute to the high level construction and safe operation of railways in China and bring benefits to social life. Moreover, the Group will continue to explore the opportunities for vertical expansion in the industry, actively create diversified product portfolio, and enhance the core competitiveness and profitability of the Group, so as to consolidate the Group's business and gain market recognition with the best railway products and services.

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. The revenue of the Group decreased by approximately 16.0% from approximately RMB646.0 million for the first half of 2022 to approximately RMB542.6 million for the same period of 2023, mainly as a result of decrease in revenue from rail fastening system.

Revenue related to rail fastening system products decreased by approximately 32.2% from approximately RMB450.5 million for the first half of 2022 to approximately RMB305.3 million for the same period of 2023, mainly attributable to the delay in delivery of rail fastening system products to customers as per their requests during January to June 2023.

Revenue related to welding wire products increased by approximately 21.2% from approximately RMB152.9 million for the first half of 2022 to approximately RMB185.3 million for the same period of 2023, mainly attributable to the expansion of solid welding wire business by the Company and the growing market demand for welding wire during the first half of 2023.

Revenue related to railway sleeper products increased by approximately 35.5% from approximately RMB34.6 million for the first half of 2022 to approximately RMB46.9 million for the same period of 2023, mainly attributable to the growth of revenue of the Company's subsidiary Xingtai Juneng.

Apart from revenue from sales of rail fastening system products, welding wire products and railway sleeper products, the Group also generated revenue mainly from the sales of electricity and the provision of product processing services.

Operating Cost

The Group's cost of sales was approximately RMB419.4 million for the first half of 2023, representing a decrease of approximately 14.8% from approximately RMB492.1 million for the same period of 2022, which was mainly attributable to the decrease in revenue from rail fastening system products.

Cost of sales related to rail fastening system products decreased by approximately 36.7% from approximately RMB318.6 million for the first half of 2022 to approximately RMB201.8 million for the same period of 2023, which was mainly attributable to the decrease in revenue from rail fastening system products.

Cost of sales related to welding wire products increased by approximately 24.1% from approximately RMB143.8 million for the first half of 2022 to approximately RMB178.5 million for the same period of 2023, which was mainly attributable to the increase in the sales revenue of welding wire products which led to higher operating cost accordingly.

Cost of sales related to railway sleeper products increased by approximately 57.6% from approximately RMB23.1 million for the first half of 2022 to approximately RMB36.4 million for the same period of 2023, which was mainly attributable to the increase in the sales revenue of railway sleeper products which led to higher operating cost accordingly.

Gross Profit

Based on the aforesaid reasons, the Group recorded a gross profit of approximately RMB123.2 million during January to June 2023, representing a decrease of approximately 19.9% as compared to the gross profit of approximately RMB153.9 million recorded for the same period of 2022, which was mainly attributable to the decrease in revenue from rail fastening system products.

Gross profit of rail fastening system products decreased by approximately 21.5% from approximately RMB131.9 million for the first half of 2022 to approximately RMB103.5 million for the same period of 2023. Gross profit margin of rail fastening system products increased to approximately 33.9% for the first half of 2023 from approximately 29.3% for the same period of 2022, which was mainly attributable to the decrease in the cost of raw materials during January to June 2023.

Gross profit of welding wire products decreased by approximately 25.3% from approximately RMB9.1 million for the first half of 2022 to approximately RMB6.8 million for the same period of 2023. Gross profit margin decreased from approximately 6.0% for the first half of 2022 to approximately 3.7% for the same period of 2023, which was mainly attributable to a further decrease in gross profit margin with the expansion of solid welding wire business as such wires were still at pioneering stage and the related gross profit margin was relatively low.

Gross profit of railway sleeper products decreased by approximately 8.7% from approximately RMB11.5 million for the first half of 2022 to approximately RMB10.5 million for the same period of 2023. Gross profit margin decreased from approximately 33.2% for the first half of 2022 to approximately 22.4% for the same period of 2023, which was mainly attributable to the decrease in gross profit as a result of the sales of different types of railway sleeper products.

Selling Expenses

Selling expenses of the Group amounted to approximately RMB9.7 million during January to June 2023, compared to approximately RMB8.7 million during January to June 2022. For the six months ended 30 June 2022 and 30 June 2023, selling expenses as a percentage of total revenue accounted for approximately 1.3% and 1.8%, respectively, and the change was insignificant.

Management Expenses

Management expenses of the Group amounted to approximately RMB36.3 million and RMB44.1 million during January to June 2022 and January to June 2023, respectively. The increase in management expenses was mainly attributable to the increase in the depreciation expense of office building.

Investment Gains/Losses

The Group's investment losses totalled approximately RMB47.9 million in the first half of 2023 while the investment gains totalled approximately RMB17.1 million in the first half of 2022. The decrease in investment gains was primarily caused by the change (up to the date of disposal) in price of Hong Kong listed company securities disposed of by the Group during the period under review.

Gains and Losses/Losses from Changes in Fair Value

The Group's losses from changes in fair value totalled approximately RMB28.1 million in the first half of 2023 while the gains from changes in fair value totalled approximately RMB5.8 million in the first half of 2022. The decrease in gains from changes in fair value was mainly attributable to the change in price of Hong Kong listed company securities disposed of by the Group during the period.

Net Finance Costs

For the first half of 2023, the Group incurred net finance costs totaling RMB9.4 million, as compared to net finance costs totaling approximately RMB8.6 million incurred for the first half of 2022. The increase in net finance costs was mainly attributable to the increase in interest expenses.

Operating Profit/Loss

Based on the aforesaid reasons, the Group recorded operating loss of approximately RMB49.2 million during January to June 2023, representing a decrease of approximately RMB132.0 million as compared to operating profit of approximately RMB82.8 million in the same period of 2022, which was mainly attributable to the change in price of Hong Kong listed company securities disposed of during January to June 2023.

Income Tax

Income tax expense of the Group decreased to approximately RMB(14.4) million during January to June 2023 from approximately RMB8.3 million during January to June 2022, which was mainly attributable to the decrease in total profit and the reversal of deferred income tax liabilities.

Net Profit/Net Loss

The Group's net loss was approximately RMB33.5 million in the first half of 2023 while the net profit was approximately RMB74.3 million in the first half of 2022. The decrease in net profit was mainly attributable to the change in price of Hong Kong listed company securities disposed of.

During January to June 2023, the Group's net loss attributable to owners of the parent amounted to approximately RMB33.9 million, representing a decrease of approximately RMB107.4 million as compared with net profit attributable to owners of the parent of approximately RMB73.5 million for the same period of 2022. For the first half of 2023, basic losses per share amounted to RMB0.04, representing a decrease from the basic earnings of RMB0.08 per share for the same period of 2022, which was mainly due to the decrease in net profit of the Group attributable to owners of the parent during January to June 2023.

Total Assets

As at 30 June 2023, the total assets of the Group were approximately RMB3,442.3 million, representing a decrease of approximately 4.3% from approximately RMB3,595.4 million as at 31 December 2022, which was mainly due to the decrease in financial assets held for trading.

Total Liabilities

As at 30 June 2023, the total liabilities of the Group were approximately RMB1,047.5 million, representing a decrease of approximately 6.7% from approximately RMB1,122.2 million as at 31 December 2022, which was mainly attributable to the decrease in bank borrowings.

Total Equity

As at 30 June 2023, the total equity of the Group was approximately RMB2,394.8 million, representing a decrease of approximately 3.2% from approximately RMB2,473.3 million as at 31 December 2022, which was mainly attributable to the distribution of profits and the net loss during January to June 2023.

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 bank borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "total equity" as shown in the interim condensed consolidated statement of financial position plus net debt.

As at 30 June 2023, the Group's gearing ratio was 12.9%, representing a decrease of 4.5 percentage points as compared to 17.4% as at 31 December 2022, which was mainly attributable to the decrease in borrowings.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2023, the Group incurred total staff costs of approximately RMB54.4 million for 1,326 employees (as at 30 June 2022: 1,370 employees), representing a relatively stable remuneration level as compared to the total staff costs of approximately RMB55.1 million incurred for the same period of 2022.

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.

EVENTS AFTER BALANCE SHEET DATE

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

CLARIFICATION IN RELATION TO PROFIT WARNING

Reference is made to the announcement of the Company dated 11 August 2023 in relation to the profit warning (the “**Announcement**”). It was mentioned in the Announcement that “the Board considers that the deterioration in the Group's results of operations is mainly attributable to the loss from changes in fair value associated with financial assets held for trading of approximately RMB106.5 million for the six months ended 30 June 2023” and “such a loss from changes in fair value was primarily caused by the change (up to the date of disposal) in price of Hong Kong listed company securities disposed of by the Company during the period”.

Following the publication of the Announcement, the Board received recommendation from the Company's auditor regarding an update on the accounting treatment for the losses from change in price of Hong Kong listed company securities disposed of, according to which, the Board believes that it would be more appropriate to classify the aforementioned losses of approximately RMB78.4 million as investment losses. For details, please refer to the consolidated income statement for the six months ended 30 June 2023 presented in this announcement, as well as the above two paragraphs headed “Investment Gains/Losses” and “Gains and Losses/Losses from Changes in Fair Value”.

The above adjustment was only an adjustment on accounting classification, and would not affect the amount of the Company's net profit/net loss for the six months ended 30 June 2023 and other contents in the Announcement as a whole.

INTERIM DIVIDEND

Having considered the impact caused by potential operating risks, in order to meet the liquidity needs of the Company's daily operations and to ensure the smooth execution of the Company's mid to long-term development strategies, the Board did not recommend the distribution of an interim dividend for the six months ended 30 June 2023.

PURCHASE, REDEMPTION OR SALES OF THE 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 during the six months ended 30 June 2023.

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 throughout the six months ended 30 June 2023, each of them had fully complied with the required standards set out in the “Model Code for Securities Transactions by Directors of Listed Issuers”.

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 had complied with all code provisions as set out in the “Corporate Governance Code” set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2023.

AUDIT COMMITTEE

This interim condensed consolidated financial information has not been audited by the auditor of the Company.

The Audit Committee of the Company has reviewed the Group’s unaudited interim condensed consolidated results and the interim report for the six months ended 30 June 2023 prepared in accordance with the PRC Accounting Standards and agreed to the accounting principles, accounting treatments and practices adopted by the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 2023 interim 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, 24 August 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 Ligu as independent non-executive Directors.

* For identification purpose only